



## **THL CREDIT ADVISORS LLC**

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### **Part 2A of Form ADV: Firm Brochure**

This brochure provides information about the qualifications and business practices of THL Credit Advisors LLC. If you have any questions about the contents of this brochure, please contact us at (800) 450-4424. 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. THL Credit Advisors LLC is a registered investment adviser with the SEC. This registration does not imply any level of skill or training.

Additional information about THL Credit Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

No information contained herein should be construed as a solicitation or offer, or recommendation, to buy or sell any security, or as an offer to provide advisory services. Any offering or potential transaction that may be related to information in this brochure will be made pursuant to separate and distinct documentation.

## **Item 2 – Material Changes**

The following is a summary of the material changes which have occurred since THL Credit Advisors LLC's (the "Firm") filed its annual amendment on March 31, 2017.

Item 4 and Item 16 have been updated to reflect that the Firm also provide non-discretionary investment management services to clients.

Item 5 has been updated to disclose that there may be blended fee rates for products that utilize both the direct lending and tradable credit platforms.

Item 6 has been updated to reflect performance fees that may be received by the Firm in regard to providing investment adviser services to private funds.

Item 8 has been updated to reflect additional risk factors that impact the Firm's direct lending and tradable credit platforms.

Item 11 has been updated to reflect additional information regarding conflicts relating to employee investment vehicles and co-investment opportunities. Item 11 also has been updated regarding information about certain restrictions on trading that may occur due to the conditions of an Exemptive Order that was received on December 8, 2015 and the conflicts of interest related to the co-investment policy the Firm. Item 11 has been revised to disclose that THL Credit may have conflicts related to proprietary accounts that THL Credit has established. This section has also been updated to disclose that THL Credit and its affiliates, employees or directors make also make direct investments (i.e. private placement investments) in portfolio companies and/or invest alongside investments made on behalf of clients.

Item 12 has been updated to reflect changes in the Firm's direct lending allocation policies as well as to reflect information about the Firm's Co-Investment policies. Additional updates have been included to disclose that new tradable credit accounts may receive a priority of new issue (primary issuances) allocations based on certain criteria.

Item 15 has been updated to reflect information about the Firm's custody of client assets in separate accounts, non-discretionary accounts and private funds.

Item 16 has been updated with information regarding the Firm's non-discretionary advisory services.

A copy of this brochure may be requested by contacting us at (800) 450-4424.

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## **Item 4 – Advisory Business**

THL Credit Advisors LLC (“THL Credit”) is an investment manager for both direct lending and broadly syndicated investments, through public and private vehicles, collateralized loan obligations, separately managed accounts and co-mingled funds. THL Credit is a Delaware limited liability company that was formed in 2009. THL Credit is principally owned by THL Debt Partners, L.P. and members of THL Credit management. THL Credit is a credit affiliate of Thomas H. Lee Partners, L.P., a private equity firm (“THL”).

### **Direct Lending**

THL Credit’s Direct Lending platform provides debt and equity capital to lower middle-market companies. In particular, direct lending clients provide financing primarily in the form of directly originated first lien and second lien secured loans, including through unitranche investments. In certain instances, direct lending clients make subordinated debt investments, which may include an associated equity component such as warrants, preferred stock or similar securities, and direct equity co-investments. One of THL Credit’s Direct Lending client’s is THL Credit, Inc. (NASDAQ: TCRD), a publicly traded business development company (“BDC”) that in turn manages certain private funds and separately accounts. THL Credit also advises and manages private funds, which may be done through a wholly owned subsidiary adviser, THL Credit Direct Lending Manager III LLC, or in its capacity as investment adviser as part of its Direct Lending platform.

THL Credit, Inc. is a non-diversified closed-end management investment company incorporated in Delaware on May 26, 2009, that has elected to be regulated as a BDC under the Investment Company Act of 1940, as amended. Its investment activities are managed by THL Credit and supervised by its board of directors, a majority of whom are independent of THL Credit and its affiliates, including THL Credit’s wholly-owned subsidiary, THL Credit Senior Loan Strategies LLC (“THL Credit SLS”), a registered investment adviser. THL Credit, Inc. is also a registered investment adviser that provides advisory services to certain private funds and separate accounts that have invested alongside THL Credit, Inc.

### **Tradable Credit**

THL Credit also offers a Tradable Credit platform. The Tradable Credit strategy offers discretionary and non-discretionary investment management services to clients in below investment grade investment opportunities in bank loans, high yield debt, collateralized loan obligations (“CLOs”), including CLO debt or equity mandates, and other securities. THL Credit engages its investment professionals and the investment professionals of its wholly-owned subsidiary, THL Credit SLS, to provide these services to clients. Personnel of THL Credit SLS provide investment advisory, portfolio management and other services to THL Credit through a staffing agreement. THL Credit’s Tradable Credit clients include: registered funds, separate accounts, private funds and structured products, including CLOs. THL Credit’s registered funds clients include two sub-advisory relationships THL Credit Senior Loan Fund (NYSE: TSLF), a NYSE listed closed-end fund, and funds for Russell Investment Company and/or its affiliates.

THL Credit is able to tailor advisory services to meet the different needs of individual clients, and clients are generally able to impose restrictions on investing in specific securities or

types of securities (e.g., no securities of issuers involved in “vices” or restrictions from trading in derivatives).

As of September 30, 2017, THL Credit, including THL Credit SLS and THL Credit, Inc. manage \$10.8 billion of client assets on a discretionary basis and \$55 million on a non-discretionary basis. This value may be different than Regulatory Assets Under Management reported on THL Credit’s Part 1A of Form ADV and the asset under management calculation used for marketing, client reporting and/or billing.

## **Item 5 – Fees and Compensation**

THL Credit's advisory fees are generally as follows:

### **Direct Lending**

From its Direct Lending clients, THL Credit typically receives a management fee and may receive a performance fee. The management fee may be based on gross assets under management which includes leverage, capital contributions or invested capital. Management fees generally range from 1.00% to 1.50%. From THL Credit, Inc., THL Credit receives a management fee based on an annual rate of 1.50% of THL Credit, Inc.'s gross assets which is payable quarterly in arrears. THL Credit may also receive a quarterly performance (or incentive) fee from THL Credit, Inc. The client's written agreement with THL Credit and its public filings with the Securities and Exchange Commission describe the calculation and payment method for the fees paid to THL Credit.

### **Tradable Credit**

For its Tradable Credit clients, THL Credit charges a management fee as a percentage of assets under management based on an annual rate and paid quarterly. The annual rate is established in the client's written agreement and typically applies to the sum of all cash and fair market value (including accrued interest) of the securities in the account on the last day of the preceding quarter. Management fees generally range from 0.35% to 1.00% per annum. THL Credit may also receive a performance fee from certain Tradable Credit clients. The client's written agreement with THL Credit describes the calculation and payment method for the services provided by THL Credit.

THL Credit has made, and may make in the future, exceptions to its general fee range based on various circumstances, such as a client's relationship to THL Credit, expectations of significant capital additions in the future, product line, or composition of portfolio, among other reasons. In such cases, different and reduced fee arrangements have been and may be negotiated with individual clients or underlying investors in a private fund.

THL Credit may also offer a blended fee rate for products that include both the direct lending and tradable credit platforms.

In addition to THL Credit's fees, clients, depending upon the product, are subject to various expenses, including but not limited to custodial, brokerage, audit, legal and third party administration. These expenses may vary by product. Please consult the applicable offering materials for the product, if any, for more information on these expenses. Please see Item 12 – "Brokerage Practices" for more information on THL Credit's brokerage practices.

### ***Fees for Clients invested in Broadly Syndicated Loan CLOs ("BSL CLO"s) and Middle Market CLOs ("MM CLOs") managed by THL Credit***

THL Credit advises BSL and MM CLOs. For its services, THL Credit will receive a base management fee and a subordinated management fee based on the aggregate principal balance of each CLO's portfolio. Both these fees are based on a contractual percentage per annum but differ

in terms of their priority of payment relative to payments to the CLO investors. THL Credit may also receive a performance fee based on achieving a defined internal rate of return (IRR) hurdle.

### ***Additional Information Concerning Fees and Compensation***

From some clients, THL Credit may receive a performance-based fee in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”). Performance-based fees are discussed further in Item 6 – “Performance-Based Fees and Side-By-Side Management.”

THL Credit has and may in the future enter into agreements with separate account clients or underlying investors of its private funds that contain provisions which grant such client or investor certain preferential terms. Such provisions may apply to a single product or across multiple products advised by the Firm.

THL Credit also serves as administrator to the BDC as disclosed in THL Credit, Inc. filings with the SEC and receives compensation in regard to fees for providing administrative services.

In addition, THL Credit may invest a portion of a client’s assets in investment vehicles that are advised or sub-advised by THL Credit or its affiliates (controlled affiliated funds), where the controlled affiliated fund provides a more efficient and cost-effective way to diversify an account. To the extent that THL Credit invests client assets in a controlled affiliated fund, THL Credit will, depending upon the controlled affiliated fund used, either (1) not charge an advisory fee to the client for investing in such fund, (2) waive investment advisory fees on the assets invested in such controlled affiliated fund, or (3) credit or avoid through other means the payment of the separate account advisory fees on the assets invested in a controlled affiliated fund. However, assets invested in a controlled affiliated fund are subject to the fund fees and charges applicable to all investors in the controlled affiliated fund. Therefore, the client may incur a higher total investment advisory fee if the controlled affiliated fund’s management fee rate exceeds the rate the client would otherwise pay for the management of its assets.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

THL Credit may earn performance fees in four different ways:

1) As investment manager to THL Credit, Inc., THL Credit is entitled to receive an incentive fee which is calculated separately in two components as a percentage of the interest and other ordinary income in excess of a quarterly minimum hurdle rate and as a percentage of the realized gain on invested capital. Please see THL Credit, Inc.'s financial statements as filed with the SEC for more information on its performance fees.

2) THL Credit may enter into arrangements with separate account clients where performance fees are based on a share of capital gains, capital appreciation or a portion of excess profits. For example, in addition to the base annual management fee, an account would also include a performance-based fee payable when the account's performance return exceeds a predefined performance hurdle on an index or benchmark (e.g., Credit Suisse Leveraged Loan Index plus 25 basis points) or a preferred return. Performance fees are negotiable as part of the client's written advisory contract. In measuring client assets for the calculation of performance-based fees, THL Credit includes realized and unrealized capital gains and losses.

3) As investment manager or sub-adviser to private funds, THL Credit, whether directly or indirectly through an affiliated manager of the fund(s) or general partner, may be entitled to receive a performance fee if it achieves a pre-defined percentage based IRR hurdle, in some cases subject to a clawback, for investors in the fund. The calculation is based upon the fund's net profits.

4) As investment manager to CLOs, THL Credit may be entitled to receive a performance fee if it achieves a pre-defined percentage based IRR hurdle for holders of the subordinated notes of the CLOs. This fee is calculated based on the outstanding investment in the subordinated notes upon achieving a predetermined internal rate of return (IRR).

Clients should understand that performance fee rates vary by client and that THL Credit may enter into different types of performance fee arrangements in the future. Performance fee arrangements may create an incentive to recommend investments that are riskier or more speculative than those which would be recommended under a different fee arrangement. Also, in situations where THL Credit portfolio managers manage these accounts side-by-side with accounts that do not have a performance fee, there is a conflict of interest which may create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

THL Credit has adopted procedures to address these conflicts of interests that are designed to ensure that all clients are treated fairly and equitably. The firm's trade aggregation and allocation procedures, which are detailed in Item 12 – "Brokerage Practices," are designed to ensure that transactions where the same securities are bought or sold for multiple clients simultaneously are traded such that no participating client is favored over any other client. Another procedure involves the review of account performance over time for accounts employing similar investment strategies.

Because the amount of fees received is based on the value or performance of client accounts, account asset values are determined in accordance with that client's pricing procedures.



Pricing procedures may be different according to the product managed. In circumstances where an account holds positions in its portfolio for which reliable independent third party pricing is not readily available or is not reflective of fair value, the firm generally evaluates sufficient information to make a “good faith” determination that the valuation method used results in fair value.

## **Item 7 – Types of Clients**

THL Credit may provide advisory services to many types of clients including BDCs, individuals, insurance companies, banks, corporations, pension and profit sharing plans, trusts and estates, charitable organizations, mutual funds, closed-end funds, government entities, pooled investment vehicles, and private investment funds. The terms and conditions of client accounts may vary depending on the type of services provided or the type of client, and these terms and conditions may vary from client to client.

The minimum fee and account size requirements for opening an account may be found in the applicable client documents. In most cases, THL Credit can waive the minimum requirements.

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

### **Direct Lending Platform**

THL Credit uses fundamental credit analysis seeks to identify investment opportunities with attractive risk-adjusted returns, primarily through investments in privately-negotiated debt and equity securities of lower middle-market companies.

### **Investment Selection**

THL Credit has identified several criteria it believes are important in evaluating investment opportunities. These criteria provide general guidelines for investment decisions. However, each investment THL Credit makes on behalf of the clients may not meet all of these criteria.

*Value orientation/positive cash flow.* THL Credit's investment philosophy places a premium on fundamental credit analysis and has a distinct value orientation. THL Credit focuses on companies in which it can invest at relatively low multiples of operating cash flow and that are profitable at the time of investment on an operating cash flow basis. Although THL Credit will obtain liens on collateral on behalf of its clients when appropriate, it is primarily focused on the predictability of future cash flow.

*Seasoned management with significant equity ownership.* Strong, committed management teams are important to the success of an investment and THL Credit intends to invest in companies where strong management teams are either already in place or where new management teams have been identified. Additionally, THL Credit generally requires the companies to have in place compensation provisions that appropriately incentivize management to succeed and to act in the clients' interests as investors.

*Strong competitive position.* THL Credit seeks to invest on behalf of clients in companies that have developed competitive advantages and defensible market positions within their respective markets and are well positioned to capitalize on growth opportunities.

*Exit strategy.* THL Credit seeks companies that it believes will generate consistent cash flow to repay clients' loans and reinvest in their respective businesses. THL Credit expects such internally-generated cash flow in companies to be a key means by which the clients exit from such investments over time. In addition, THL Credit will also seek to invest on behalf of clients in companies whose business models and expected future cash flows offer attractive exit possibilities for the equity component of their returns. These companies include candidates for strategic acquisition by other industry participants and companies that may repay client's investments through an initial public offering of common stock or another capital market transaction.

### **Due Diligence and Investment Process**

THL Credit believes it employs a rigorous and disciplined underwriting and due diligence process. Its process includes a comprehensive understanding of a borrower's industry, market, operational, financial, organizational and legal position and prospects. It seeks borrowers who have proven management teams that have a vested interest in the company in the form of a meaningful

level of equity ownership, who generate cash flow that is stable and predictable, and whose market position is defensible. THL Credit will invest in companies with the expectation that clients will own the investment through a complete business cycle, and possibly a recession, and the Adviser determines the appropriate amount of debt for the company accordingly. In addition, the Adviser views a sale of the company that might result in a refinancing client's investments as a possibility but not an expectation. THL Credit conducts thorough reference and background checks on senior management for all investment transactions.

THL Credit's due diligence typically includes the following elements (although not all elements will necessarily form part of every due diligence project):

*Portfolio Company/Issuer Characteristics:* key levers of the business including a focus on drivers of cash flow and growth; revenue visibility; customer and supplier concentrations; historical revenue and margin trends; fixed versus variable costs; free cash flow analysis; company versus industry performance; and sensitivity analysis around various future performance scenarios (with a focus on downside scenario analysis);

*Industry Analysis:* including the company's position within the context of the general economic environment and relevant industry cycles; industry size and growth rates; competitive landscape; barriers to entry and potential new entrants; product position and defensibility of market share; technological, regulatory and similar threats; and pricing power and cost considerations;

*Management:* including the quality, breadth and depth of the issuer's management; track record and prior experience; background checks; reputation; compensation and equity incentives; corporate overhead; motivation; interviews with certain identified management, employees, customers and vendors;

*Financial Analysis:* an understanding of relevant financial ratios and statistics, including various leverage, liquidity, free cash flow and fixed charge coverage ratios; impact on ratios in various future performance scenarios and comparison of ratios to industry competitors; satisfaction with the auditor of the financial statements; quality of earnings analysis;

*Capital Structure:* diverse considerations regarding leverage (including understanding seniority and leverage multiples); ability to service debt; collateral and security protections; covenants and guarantees; equity investment amounts and participants (where applicable); and review of other significant structural terms and pertinent legal documentation; and

*Collateral and Enterprise Value:* analysis of relevant collateral coverage, including assets on a liquidation basis and enterprise value on a going concern basis; assignment of recovery percentages by type of hard asset; matrix analysis of cash flow and valuation multiples under different scenarios along with recovery estimates; comparison to recent transaction multiples and valuations.

### **Tradable Credit Platform**

The investment process for the Tradable Credit platform of THL Credit focuses on balancing capital preservation, current income and total return through a systematic approach to

the management of credit risk. THL Credit's goal is to invest in businesses which THL Credit believes are at attractive valuations in various market environments. Investment selection begins with basic, fundamental credit and economic analysis, risk classification and relative value assessment throughout the capital structure, and incorporates sophisticated portfolio credit risk measurements, and continuous relative value assessment based on credit quality, pricing, structure and liquidity. THL Credit seeks to manage credit risk and maximize risk/return through disciplined credit quality evaluation, prudent portfolio diversification, portfolio analysis and proactive credit management. The objective of the investment process is to seek to provide as high a level of risk-adjusted returns consistent with investment in U.S. dollar-denominated senior bank loans. To the extent they are permitted by client guidelines, the strategy may also include high yield securities, CLO debt or CLO equity, and special situations, including distressed bank loans and other distressed debt, and to a lesser extent public and private equities.

THL Credit's Tradable Credit professionals employ a disciplined and structured investment process utilizing qualitative and quantitative analysis to consistently identify, measure and classify risk and return.

Qualitative approach focuses on developing the following:

- Macroeconomic outlook with industry analysis
- Fundamental analysis of a company's core competencies
  - o Credit and Collateral Ratings – qualitative modification of the Credit and Collateral Scores
  - o Sell rules or reasons to table a credit for further review and possible portfolio action
  - o Advanced Research – in-depth research into sectors of potential interest

Quantitative approach is built on cash flow modeling, and credit and collateral scoring. THL Credit uses its Leveraged Credit Assessment Platform ("LCAP") to perform multi-variant simulations to evaluate the sensitivities of a credit or industry to various events that can impact a credit's performance. LCAP provides a consistent, analytic framework that generates measurable output concerning overall credit profiles, profitability, liquidity, leverage and collateral.

Credit analysis is the cornerstone of THL Credit's Tradable Credit platform. A potential investment's credit risk profile is established through fundamental analysis of many factors including past financial performance, business stability and industry trends, competitive factors, economic vulnerability, customer and supplier concentration, and other factors. THL Credit performs stress cases on each potential investment based on various default scenarios.

## **Risks**

### **Principal Risks of Investment Strategies**

Set forth below is a summary of certain risk factors applicable to the advisory services provided by THL Credit. The summary is qualified in its entirety by the risk factors set forth in

each client's investment advisory agreement or offering materials, if applicable. The list of risk factors does not purport to be a complete explanation of the risks involved in THL Credit's advisory services.

Direct lending and fixed income investing is subject to a number of risks that may affect the value of securities, including:

**Credit Risk** is the risk that the inability or perceived inability of the issuer to make interest and principal payments will cause the value of its securities to decrease and cause a loss. If an issuer's financial health deteriorates, it may result in a reduction of the credit rating of the issuer's securities and may lead to the issuer's inability to honor its obligations, including making timely payment of interest and principal. Although a downgrade of a bond's credit ratings may not affect its price, a decline in credit quality may make bonds less attractive, thereby increasing the yield on the bond and driving down the price. Declines in credit quality can result in bankruptcy for the issuer and permanent loss of investment.

Rating agencies are private services that provide ratings of the credit quality of fixed income securities. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. Further, rating agencies may also lose credibility or end coverage of a previously rated security. THL Credit does not rely solely on credit ratings, and develops its own analysis of issuer credit quality. THL Credit may purchase unrated securities if it determines that the security is of comparable quality to a rated security. Unrated securities may be less liquid than comparable rated securities and involve the risk that THL Credit may not accurately evaluate the security's comparative credit rating.

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

**Interest Rate Risk** is the risk that fixed income securities will decline in value because of changes in interest rates. Generally, the value of debt securities falls as interest rates rise. Specific fixed income securities differ in their sensitivities to changes in interest rates depending on their particular characteristics. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is determined by a number of factors including coupon rate, whether the coupon is fixed or floating, time to maturity, call or put features, and various repayment features.

**Leverage Risk** magnifies the potential gains and losses from an investment and increases the risk of loss of capital. To the extent that income derived from investments purchased with

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

**Liquidity Risk** exists when particular investments are difficult to purchase or sell. During periods of market turbulence or low trading activity, in order to meet client withdrawals it may be necessary for THL Credit to sell securities at prices that are less advantageous. Additionally, the market for certain investments may become illiquid independent of any specific adverse changes in the conditions of a particular issuer. Smaller portfolios may have increased exposure to liquidity risk.

**Management Risk** exists because securities selected by THL Credit may not perform to expectations. This could result in underperformance compared to other portfolios with similar investment objectives.

**Market Risk** involves the possibility that the value of the investments will decline, sometimes unpredictably or rapidly, due to drops in the securities markets generally or particular industries represented in the securities markets. The prices of and the income generated by securities held may decline in response to certain events, including those directly involving the companies and governments whose securities are owned in portfolios, general economic and market conditions, regional or global instability, and interest rate fluctuations.

Notwithstanding the existence of a public market for particular financial instruments, such instruments may be thinly traded or may cease to be traded after an investment is made in them. In addition to being relatively illiquid, such instruments may be issued by unstable or unseasoned issuers or may be highly speculative.

**Prepayment Risk** is the risk that, if interest rates fall, it is possible that issuers of certain bonds will call, or prepay, their bonds before their maturity date. In addition, bank loans are generally pre-payable at par and can be prepaid at any time. If a call is exercised by the issuer during a period of declining interest rates, THL Credit is likely to have to replace the called security with a lower yielding security which would decrease net investment income.

**Economic Conditions.** Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws and innumerable other factors can affect substantially and adversely a client's investments.

**Availability of Investment Strategies.** Identification and exploitation of certain investment strategies to be pursued by THL Credit can involve a high degree of uncertainty. No assurance can be given that THL Credit will be able to locate suitable investment opportunities.

**Analytical Model Risks.** THL Credit employs certain strategies which depend upon the reliability, accuracy and analyses of its analytical models. To the extent such models (or the assumptions underlying them) do not prove to be correct, the investments may not perform as

anticipated, which could result in substantial losses. All models ultimately depend upon the judgment of the investment team and the assumptions embedded in the models.

**Diversification.** Although diversification is used as one of the tools of risk management, THL Credit is not always restricted as to the percentage of the assets that may be invested in any particular instrument or market in order to optimize the risk-reward profile. To the extent THL Credit concentrates investments in a particular issuer, security, currency or market, the investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular issuer, security, currency or market.

**Changes in Law.** Changes in non-U.S. or U.S. state and federal laws applicable to THL Credit or its clients, and other securities or instruments in which a client may invest may negatively affect a client's returns. The global financial markets continue to be subject to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an emergency basis with little or no notice, with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated or otherwise negatively impacted. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

**Cybersecurity Event.** The failure in cyber security systems, as well as the occurrence of events unanticipated in THL Credit's disaster recovery systems and management continuity planning, could impair THL Credit's ability to conduct business effectively. The occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in THL Credit's disaster recovery systems, or a support failure from external providers, could have an adverse effect on THL Credit's ability to conduct business and on THL Credit results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of THL Credit's investment adviser's senior management and employees were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

THL Credit depends heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems could be subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, THL Credit may experience threats to its data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize confidential, proprietary and other information processed and stored in, and transmitted through, THL Credit's computer systems and networks, or otherwise cause interruptions or malfunctions in operations, which could result in damage to THL Credit's reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.



## Risks of Specific Security Types

**Asset-Backed Securities.** Asset-backed securities (“ABS”) are bonds backed by pools of loans or other receivables. ABS are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans. ABS are issued through special purpose vehicles that are bankruptcy-remote from the issuer of the collateral. The credit quality of an ABS transaction depends on the performance of the underlying assets. To protect ABS investors from the possibility that some borrowers could miss payments or even default on their loans, ABS include various forms of credit enhancement.

Some ABS, particularly home equity loan transactions, are subject to interest-rate risk and prepayment risk. A change in interest rates can affect the pace of payments on the underlying loans, which in turn affects total return on the securities. ABS also carry credit or default risk. If many borrowers on the underlying loans default, losses could exceed the credit enhancement level and result in losses to investors in an ABS transaction. Finally, ABS have structure risk due to a unique characteristic known as early amortization, or early payout risk. Built into the structure of most ABS are triggers for early payout, designed to protect investors from losses. These triggers are unique to each transaction and can include: a big rise in defaults on the underlying loans, a sharp drop in the credit enhancement level, or even the bankruptcy of the originator. Once early amortization begins, all incoming loan payments are used to pay investors as quickly as possible.

**Bank Loans.** Bank Loans are generally non-investment grade floating rate instruments that are secured by assets of the borrower. They generally hold a senior position in the capital structure of a borrower. Thus, they are generally repaid before unsecured Bank Loans, corporate bonds, subordinated debt, trade creditors, and preferred or common stockholders. Substantial increases in interest rates may cause an increase in Bank Loan defaults as borrowers may lack resources to meet higher debt service requirements. There is less readily available and reliable information about most Bank Loans than is the case for many other types of instruments, including listed securities. Bank Loans are not listed on any national securities exchange or automated quotation system, and as such, many Bank Loans are less liquid, meaning that they may not be able to be sold quickly at a fair price. To the extent that a secondary market does exist for certain Bank Loans, the market is more volatile than for liquid, listed securities and may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement period. The market for Bank Loans could be disrupted in the event of an economic downturn or a substantial increase or decrease in interest rates. Bank Loans may also be subject to structural subordination and, although they may be senior to equity and other debt securities in the borrower’s capital structure, may be subordinated to obligations of the borrower’s subsidiaries.

Bank Loans may become nonperforming for a variety of reasons. Such nonperforming loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of the unique and customized nature of a loan agreement and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and, historically, the trading volume in the loan market has been small, relative to other markets. Loans may encounter trading delays due to their unique and customized nature, and transfers may require the consent of an agent bank or borrower. Risks associated with bank loans include (i) the fact that prepayments may occur at any time without premium or penalty, and

that the exercise of prepayment rights during periods of declining spreads could cause the fund to reinvest prepayment proceeds in lower-yielding investments; (ii) the borrower's inability to meet principal and interest payments on its obligations (i.e., credit risk); and (iii) price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the borrower and general market liquidity.

THL Credit will primarily acquire interests in Bank Loans by way of assignment instead of originating such loans. As a result, clients may be subject to additional risks related to the fact that THL Credit acquired the interest by way of assignment. For example, in certain cases the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning selling institution.

Purchasers of loans are predominately commercial banks, investment funds and investment banks. As secondary market trading volumes increase, new loans frequently contain standardized documentation to facilitate loan trading that may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity. Because holders of such loans are provided confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not purchased or sold as easily as publicly traded securities are purchased or sold. In addition, historically the trading volume in the loan market has been small relative to the market for high yield debt securities.

***Collateralized Loan Obligations ("CLOs").*** CLOs are typically privately offered and sold. As a result, investments in CLOs may be characterized as illiquid securities. In addition to the general risks associated with debt securities, CLOs carry additional risks, including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; (iii) the possibility that the investments in CLOs are subordinate to other classes or tranches thereof; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

***Common Stock.*** Although common stock has historically generated higher average total returns than fixed-income securities over the long term, common stock also has experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock. Also, the price of common stock is sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stock. Common stock prices fluctuate for several reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market or when political or economic events affecting the issuers occur. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase.

***Convertible Securities.*** THL Credit may invest in convertible securities, which are debt securities or preferred equity securities that are exchangeable for other debt or equity securities of the issuer at a predetermined price. Convertible securities entitle the holder to receive interest payments paid on corporate debt securities or the dividend preference on preferred equity securities until such time as the convertible security matures or is redeemed or until the holder elects to exercise the conversion privilege. As a result of the conversion feature, convertible securities

typically offer lower interest rates than if the securities were not convertible. Also, in the absence of adequate anti-dilution provisions in a convertible security, dilution in the value in a holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared or the issuer enters into another type of corporate transaction that increases its outstanding securities.

***Corporate Debt.*** Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

***Default and Counterparty Risk.*** Some of the markets in which THL Credit effects transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight, as are members of "exchange-based" markets. In addition, in the case of a default, the investment could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where THL Credit has concentrated its transactions with a single or small group of counterparties. The ability of THL Credit to transact business with any one or number of counterparties, and the absence of a regulated market to facilitate settlement may increase the potential for losses.

***Derivative Instruments.*** Where permitted by client guidelines, THL Credit may invest in complex derivative instruments that seek to modify or emulate the investment performance of particular securities, obligations, commodities, currencies, interest rates, indices or markets, or specific risks thereof, primarily on an unleveraged basis, which can be equivalent to a long position in the underlying asset or risk. These instruments generally have counterparty risk and may not perform in the manner expected, thereby resulting in greater loss or gain than might otherwise be anticipated. These investments are all subject to additional risks that may result in a loss of all or part of an investment, such as interest rate and credit risk volatility, world and local market price and demand and general economic factors and activity. Derivatives may have high leverage embedded in them that may substantially magnify market movements and result in losses substantially greater than the amount of the investment. Finally, when used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the investment from achieving the intended hedging effect or expose the portfolio to the risk of loss.

***Exchange Traded Funds Risk ("ETFs").*** THL Credit may invest from time to time in ETFs whose shares may trade above or below their Net Asset Value ("NAV"). The NAV of the ETF will generally fluctuate with changes in the market value of the ETF's holdings. The market prices of shares, however, will generally fluctuate in accordance with changes in NAV as well as the relative supply of, and demand for, shares on the Exchange. The trading price of shares may deviate significantly from NAV during periods of market volatility.

***High Yield Securities.*** Investments in “high yield” debt and preferred securities that are rated lower than investment grade by the various credit rating agencies (or in comparable non-rated securities) are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Securities that are rated BB+ or lower by Standard & Poor’s Ratings Group (“S&P”) or Ba1 or lower by Moody’s Investors Service (“Moody’s”) are often referred to as “junk bonds” and may include securities of issuers in default. “Junk bonds” are considered by the rating agencies to be predominately speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

***Highly Subordinated Securities.*** THL Credit investments may be in the form of highly subordinated, residual tranches of CLOs, which are susceptible to losses of up to 100 percent (100%) of the initial investment. These securities represent leveraged investments in the underlying assets of the CLOs. The fair value of these investments could be significantly affected by changes in the financial ratings ascribed to the underlying assets of a CLO, changes in the market value or fair value of the underlying assets, changes in payments, defaults, recoveries, capital gains and losses, prepayment and the availability, prices and interest rate of underlying assets. Moreover, market developments generally (including, without limitation, deteriorating economic outlook, rising defaults and rating agency downgrades) may impact the fair value of an investment and/or its underlying assets, as was experienced during the financial crisis that occurred in the past decade.

Negative loan ratings migration may also place pressure on the performance of certain of the THL Credit investments. Changes in the market value or fair value of such underlying assets could result in defaults that may in turn reduce or halt the distribution of cash to THL Credit or trigger a liquidation of the CLO. The leveraged nature of a residual tranche increases the risk that a change in market conditions or the default of an issuer of underlying assets could result in significant losses. In certain circumstances, interest and principal proceeds otherwise payable to the residual tranches could be diverted and the residual tranche may suffer a loss of all or a portion of its value. In addition, residual tranches are usually not secured by the underlying assets of the CLOs, and as a result, will rank behind all secured creditors of the CLO.

***Mezzanine Debt Investments (or Subordinated Debt).*** Generally, mezzanine loans rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. However, mezzanine loans rank senior to common and preferred equity in a borrowers’ capital

structure. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to THL Credit's investment in that portfolio company would typically be entitled to receive payment in full before THL Credit receives any distribution in respect of the investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to THL Credit. In the case of debt ranking equally with debt securities in which invested, THL Credit would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Additionally, certain loans that THL Credit may make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before THL Credit. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then THL Credit, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company's remaining assets, if any rights.

THL Credit may have with respect to the collateral securing the mezzanine, or subordinated, loans and second lien loans to portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that THL Credit enters into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. THL Credit may not have the ability to control or direct such actions, even if THL Credit rights are adversely affected.

***Middle Market Portfolio Securities.*** Investments in lower middle-market companies involve a number of significant risks. Generally, little public information exists about these companies, and THL Credit relies on the ability of its investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. THL Credit may be unable to uncover all material information about these companies and THL Credit may not make a fully informed investment decision and may lose money on the investment. Lower middle-market companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and

reduction in the likelihood of realizing any guarantees THL Credit may have obtained in connection with an investment. In addition, they typically have shorter operating histories, narrower product lines and smaller market shares than larger business, which tend to render them more vulnerable to competitors actions and market conditions, as well as general economic downturns. Additionally, lower middle-market companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the portfolio company and, in turn, on THL Credit's investment. Lower middle-market companies also generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing business with products subject to substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, THL Credit may be named as defendants in litigation arising from investments in these portfolio companies.

***Non-Investment Grade Securities.*** Below investment-grade securities are more likely to pose a credit risk, as the issuers of these securities are more likely to have problems making interest and principal payments than issuers of higher-rated securities. Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-grade securities, and prices of these securities may be more sensitive to adverse economic downturns or individual corporate developments. If the issuer of the securities defaults, investors may incur additional expenses to seek recovery. The secondary market in which below investment-grade securities are traded may be less liquid than the market for higher grade securities.

***Non-U.S. Investments.*** Investments outside of the United States or denominated in non-U.S. currencies pose currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks which could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and/or market manipulation. In addition, less information may be available regarding non-U.S. issuers, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, as stringent as, or as uniform as those of U.S. companies. Further, non-U.S. securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside of the United States are generally higher than in the United States. Higher costs result because of the cost of converting a non-U.S. currency to U.S. dollars, the payment of fixed brokerage commissions on some non-U.S. exchanges and the imposition of transfer taxes or transaction charges by non-U.S. exchanges. There is generally less government supervision and regulation of non-U.S. exchanges, brokers and issuers than there is in the United States. and there is greater difficulty in taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have failed at times to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect performance.

***Option Transactions.*** The purchase or sale of an option involves the payment or receipt of a premium payment by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and

the purchaser of the option loses its premium. Selling options, on the other hand, involves potentially greater risk because the seller of the option is exposed to the extent of either a change in the volatility of the underlying security or instrument or the actual price movement in the underlying security or instrument in excess of the premium payment received. The ability to close out a position as purchaser of an exchange-listed option would be dependent upon the existence of a liquid secondary market on an exchange. Among the possible reasons for the absence of a liquid secondary market on an exchange are (i) insufficient trading interest in certain options; (ii) restrictions on transactions imposed by an exchange; (iii) trading halts, suspensions or other restrictions; (iv) interruption of the normal operations on an exchange; (v) inadequacy of the facilities of an exchange or similar facility to handle current trading volume; or (vi) a decision by one or more exchanges to discontinue the trading of options.

***Preferred Stock.*** Preferred stock has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuers in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred also generally reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

***Private Placements.*** In addition to the risks that exist with respect to privately-placed securities, due to the nature of such securities (i.e., risks associated with common stock), privately-placed securities are often illiquid. Illiquid securities include securities whose disposition is subject to substantial legal or contractual restrictions. THL Credit may experience significant delays in disposing of illiquid securities and may not be able to sell them for the price that was paid or the price at which THL Credit has valued them. Transactions in illiquid securities may entail registration expenses and other transaction costs that are higher than those for transactions in liquid securities.

***Restructured Company Loans.*** The reorganization of a company can involve substantial legal, professional and administrative costs to a lender and the borrower. It is subject to unpredictable and lengthy delays and during the process a company's competitive position may erode, key management may depart and a company may not be able to invest adequately. In some cases, the debtor company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. For example, THL Credit could become subject to a lender liability claim (alleging that THL Credit misused our influence on the borrower for the benefit of its lenders), if, among other things, the borrower requests significant managerial assistance from us and we provide that assistance. To the extent THL Credit and an affiliate both hold investments in the same portfolio company that are of a different character, THL Credit may also face restrictions on its ability to become actively involved in the event that a portfolio company becomes distressed as a result of

the restrictions imposed on transactions involving affiliates under the 1940 Act. In such cases, THL Credit may be unable to exercise rights THL Credit may otherwise have to protect its interests as security holders in such portfolio company.

***Secured Loans.*** Although the senior loans in which THL Credit will invest generally will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower's obligation in the event of nonpayment of scheduled interest or principal, or that such collateral could be readily liquidated. In the event of the bankruptcy of a borrower, a portfolio could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a senior loan or could recover nothing of what it is owed on the senior loan. If the terms of a senior loan do not require the borrower to pledge additional collateral in the event of a decline in the value of the already pledged collateral, a portfolio will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the borrower's obligations under the senior loans. To the extent that a senior loan is collateralized by stock in the borrower or its subsidiaries, such stock may lose all of its value in the event of a bankruptcy of the borrower. There can be no assurance that the collateral can be readily liquidated or that the liquidation of the collateral would satisfy the borrower's obligation in the event of nonpayment of scheduled interest or principal. Uncollateralized (i.e., non-secured) senior loans involve a greater risk of loss.

***Small Companies.*** THL Credit may invest in small and/or less well-established companies. While smaller companies generally have potential for rapid growth, they often involve higher risk because they lack the management experience, financial resources, product diversification and/or competitive strength of larger corporations. Such companies may have shorter operating histories upon which to judge future performance and, in many cases, may have negative cash flows. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities or loans of smaller companies may be subject to wider price fluctuations. In addition, due to thin trading in some of those stocks, bonds or loans, an investment in those stocks, bonds or loans may be considered less liquid than an investment in many large-capitalization stocks, bonds or loans. When making large sales, THL Credit may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

***Unitranche Lending.*** To the extent that portfolio companies in which THL Credit has invested through a unitranche facility are involved in bankruptcy proceedings, the outcome of such proceedings may be uncertain. For example, it is unclear whether a bankruptcy court would enforce an agreement among lenders which sets the priority of payments among unitranche lenders. In such a case, the "first out" lenders in the unitranche facility may not receive the same degree of protection as they would if the agreement among lenders were enforced.



**Item 9 – Disciplinary Information**

Item 9 is not applicable to THL Credit as it has no reportable material legal or disciplinary events.

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

THL Credit, or its affiliates, may act as the general partner or managing member of private funds. As such, THL Credit, or its controlled affiliates, will have the ability to control the management and operation of the private funds. THL Credit affiliates may receive the performance fees described above in Items 5 and 6.

THL Credit has material relationships with two of its affiliates, including THL Credit, Inc. and THL Credit SLS. As noted above, THL Credit, Inc. is an externally-managed, non-diversified closed-end management investment company incorporated in Delaware on May 26, 2009, that has elected to be regulated as a BDC. THL Credit, Inc.'s investment activities are managed by THL Credit and supervised by THL Credit, Inc.'s board of directors, a majority of whom are independent of THL Credit and its affiliates.

The THL Credit SLS affiliation has resulted in benefits to THL Credit by providing it access to greater credit resources, including, but not limited to, origination sources, credit analysis and industry specialization that certain members of the THL Credit SLS team have developed over the years. Personnel of THL Credit SLS provide investment advisory, portfolio management and other services to THL Credit through a staffing agreement.

THL Credit has a material relationship with THL Credit Funding LLC, which is a majority owned affiliate which was established to satisfy the retention obligations under the U.S. risk retention rules set forth in Section 941 of Dodd-Frank Wall Street Reform and Consumer Protection Act.

THL Credit has a material relationship with THL Credit Strategic Funding LLC, a proprietary account of the firm, in which it utilizes this pooled fund in order to season certain investments. THL Credit will conduct principal trades with clients utilizing this entity.

Apart from the foregoing, THL Credit currently has no relationships or arrangements with related persons that are material to the advisory business or clients of THL Credit.

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

### **Code of Ethics**

THL Credit has policies that are designed to avoid conflicts of interest when its Covered Persons own, buy or sell securities, including non-public securities. Personal securities transactions by employees and officers raise conflicts of interest when they trade in a security that is owned or being considered for purchase or sale by a client. THL Credit has adopted a Code of Ethics (“Code”) in accordance with Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act of 1940, as amended (“Company Act”), which includes employee trading rules designed to detect and prevent such conflicts of interest. An employee may not purchase or acquire securities of any publicly traded company, except that where an employee or a member of his or her immediate family or household serves as an employee, officer or director of a publicly traded company, a purchase of securities of said publicly traded company is allowed, subject to preclearance by the Compliance Department. Sales or dispositions of securities in publicly traded companies must be approved in advance by the Compliance Department. Transactions in certain other types of securities, as described in the Code, are also required to be precleared, while transactions in certain other types of securities, as described in the Code, are not required to be precleared. In addition, employee trades are subject to minimum holding periods; and investments in initial public offerings are generally prohibited. Employees must report all trades (except those trades deemed as exempt from reporting) to Compliance quarterly, and all securities holdings (except exempted securities) are certified annually to Compliance. The Code also includes provisions relating to the confidentiality of client information and a prohibition on insider trading. A complete copy of THL Credit’s current Code may be obtained by sending a written request to: THL Credit Advisors LLC, Attention: Chief Compliance Officer, 100 Federal Street, 31st Floor, Boston, MA 02110.

THL Credit and its directors and employees may buy or sell securities or other instruments for its own account that it has recommended to clients. THL Credit, its employees, or its affiliates also may maintain investments in pooled and structured vehicles that THL Credit has established or manages. Moreover, consistent with clients’ investment objectives, THL Credit may recommend to clients the purchase or sale of securities in which it or its employees have a financial interest. These transactions are subject to the Code’s procedures regarding personal securities trading described above. The Code is designed to assure that the personal securities transactions, activities and interests of the employees of THL Credit will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing client trading while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt securities, based upon a determination that these would not materially interfere with the best interests of THL Credit clients. U.S. Government securities, bank certificates of deposit, and open-end mutual funds (not managed by THL Credit) are examples of exempted securities. Transactions in exchange-traded funds, closed-end funds, and unit investment trusts are not required to be precleared (unless THL Credit serves as adviser or sub-adviser to the fund or trust). The Code also contains a “black-out period” that restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Employee trading is continually monitored using manual and automated preclearance processes, employee certifications and exception reporting. This process assists THL Credit to reasonably prevent conflicts of interest between THL Credit and its clients.

### **Participation or Interest in Client Transactions**

THL Credit will, from time to time, establish certain investment vehicles (“Employee Vehicles”) through which certain employees of THL Credit or its affiliates invest directly or through a feeder fund that invests alongside one or more clients in one or more investment opportunities. These Employee Vehicles do not pay advisory fees or incentive fees. Further, if THL Credit, its affiliates or an employee directly invests into pooled or structured vehicle managed by THL Credit or its affiliates, they generally do not pay advisory and/or management fees.

THL Credit and its affiliates, employees or directors may also make direct investments (i.e. private placement investments) in portfolio companies and/or invest alongside investments made on behalf of clients. This may cause potential conflicts as THL Credit, its affiliates, employees or directors may conduct transactions or vote in such manner that may be different than a recommendation for a client. THL Credit requires Covered Persons to receive approval for any private placements in order to monitor such conflicts under its Code of Ethics.

THL Credit has established proprietary accounts which will sell assets to (or purchase assets from) a client. Such transactions are considered to be “principal transactions” within the meaning of the Investment Advisers Act of 1940 and represent a conflict of interest.

### ***Principal Transactions***

THL Credit’s may engage in effecting a transaction on behalf of a client while acting as principal for its own accounts, and must disclose its role in the transaction to the client in writing and obtain the client’s consent before the transaction settles. 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 from or sells any security to any advisory client.

### ***Agency Cross Transactions***

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. THL Credit is not registered as, nor is it affiliated with, a broker-dealer.

To the extent permitted under applicable law, from time to time, when it may be appropriate for one client to purchase a security and for another to sell the same security (i.e., a cross trade), THL Credit may place such cross trades for its clients. Cross trades conducted by THL Credit may be conducted with one or more broker-dealers or THL Credit will effect the cross trade through the applicable custodians in an attempt to seek the best execution for each client by obtaining reduced transaction or executions costs for each client. In certain private fund transactions, THL Credit may conduct cross trades in directly originated loan transactions which

may not be exposed to market forces and a client may not receive the best price otherwise possible. Since, in any such cross trade transaction, THL Credit will represent both the client-seller and the client-buyer, THL Credit may have a conflict of interest given the obligation to seek the best price and most favorable execution. THL Credit will not execute cross trades for client accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and when executing cross trades for registered investment companies, e.g., mutual funds, it will only do so in accordance with Section 17(a) of the Company Act. THL Credit will not receive any commission or other transaction-based compensation for effecting any such transaction.

### ***Additional Conflicts of Interest***

THL Credit may become aware of material, nonpublic information that might affect its ability to buy, sell, or hold a security for a client account. In addition, employees, directors and officers of THL Credit and/or its affiliates may occasionally serve as directors or officers of outside companies. In these situations, THL Credit or its associated persons may obtain material, nonpublic or other confidential information that, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, such persons cannot improperly disclose or use this information for their personal benefit or for the benefit of any person, including clients of THL Credit. If THL Credit or its associated persons obtain nonpublic or other confidential information in breach of a duty about any issuer, THL Credit will have no obligation to disclose the information to any client or use it for any client’s benefit. Due to these restrictions, a transaction in a client account may not be able to be initiated that THL Credit otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. THL Credit has implemented policies and procedures reasonably designed to prevent the misuse of material, nonpublic information. Specifically, the procedures address the prohibition on trading on inside information, physical security and prohibited communications surrounding inside information, and the maintenance of restricted lists.

THL Credit may be subject to certain additional conflicts of interest in its management of client accounts. These conflicts could arise primarily from the involvement of THL Credit, THL Credit SLS, THL Credit, Inc. and their affiliates (collectively, the “THL Credit Group”) in other activities that may conflict with those of client accounts. The THL Credit Group engages in a broad spectrum of activities. In the ordinary course of their business activities, the THL Credit Group may engage in activities where the interests of the THL Credit Group or the interests of their clients may conflict with the interests of THL Credit clients. THL Credit may become subject to contractual obligations or legal restriction that could impose lock-up restrictions or otherwise restrict the THL Credit from negotiation, and/or purchasing or selling certain issuers held by client accounts in general or during certain periods of time. Other present and future activities of the THL Credit Group may give rise to additional conflicts of interest which may have a negative impact on THL Credit client accounts. In addition, officers, directors, members or employees of THL Credit serve or may serve as officers, directors, principals, consultants to or members of entities that operate in the same or a related line of business, or of accounts sponsored or managed by the THL Credit Group. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of THL Credit client accounts.

In addressing these conflicts and regulatory, legal and contractual requirements across its various businesses, certain members of the THL Credit Group have implemented certain policies and procedures (e.g., information walls). For example, THL Credit may come into possession of material non-public information with respect to companies in which THL Credit SLS may be considering making an investment. As a consequence, that information, which, if shared with THL Credit, could be beneficial to THL Credit client accounts, could also restrict the client account's activities and the investment opportunity may otherwise be unavailable to client accounts. Additionally, the terms of confidentiality or other agreements with or related to companies in which any account managed by THL Credit has or has considered making an investment may restrict or otherwise limit the ability of THL Credit to direct investments in such companies.

From time to time, individuals employed by members of the THL Credit Group may participate on creditors' committees with respect to the bankruptcy, restructuring or workout of issuers. In such circumstances, THL Credit may take positions on behalf of itself and other accounts and clients that are adverse to the interest of other clients. As a result of such participation, THL Credit may be restricted in trading in such issuers or securities of said issuers.

In addition, THL Credit and THL Credit SLS have implemented an ethical wall policy with THL that restricts the flow of information between THL Credit and THL Credit SLS, on the one hand, and THL, on the other hand. The ethical wall policy establishes information barriers that separate THL Credit and THL Credit SLS from THL so that their investment activities are carried out independent of each other. Pursuant to this ethical wall policy, THL Credit may only buy or sell, on behalf of its clients, debt securities of portfolio companies of funds managed by THL or its affiliates, when not prohibited by law or regulation and, subject to restrictions such as preclearance/notification procedures and blackout periods on when transactions can occur (i.e. trading windows). THL Credit and THL Credit SLS may decide to modify or eliminate such ethical walls in the future. In addition to the ethical wall policy restrictions, applicable agreements with its clients and/or law or regulation may also limit the ability of THL Credit to buy or sell, on behalf of its clients, portfolio companies of funds managed by THL Credit or its affiliates, including funds managed by THL. For example, the Investment Company Act of 1940 prohibits certain THL Credit clients, including the BDC, from making "joint" transactions with certain of THL Credit affiliates or affiliated funds, which could restrict such clients from making investments in the same portfolio companies as such affiliates or affiliated funds (whether at the same or different times). However, THL Credit has sought, through an exemptive application with the SEC, the ability to co-invest in portfolio companies with certain other affiliated funds managed by THL Credit Group. The SEC granted relief in this relief or "Exemptive Order" on December 8, 2015 which allows for co-investments based on certain conditions. The conditions of the Exemptive Order may restrict the ability of a THL Credit client to invest in certain investments and imposes conditions made on follow on investments that were initially conducted as a co-investment under the Exemptive Order. Additionally, the conditions of the Exemptive Order may affect the manner in which an investment that had been originally been made as a co-investment is sold, exchanged or otherwise disposed.

THL Credit may make material investments in portfolio companies that may be service providers of THL Credit or its affiliates, unless prohibited by client guidelines or regulatory statutes.

In addition, the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), may also limit transactions by certain THL Credit clients in affiliated funds and/or portfolio companies of affiliates. As a result of these policies and restrictions, THL Credit may be limited or prohibited from certain purchases and sales on behalf of its clients of securities or other instruments issued by portfolio companies of funds managed by THL Credit or its affiliates, including funds managed by THL. These limitations may limit the scope of investment opportunities that would otherwise be available for THL Credit client accounts.

All of the transactions described above involve the potential for conflict of interest between THL Credit (or its employees) and its clients. The Investment Advisers Act of 1940 and the Investment Company Act of 1940 impose certain requirements designed to mitigate the possibility of conflicts of interest between an investment adviser and its clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. Certain other transactions may be prohibited. THL Credit has instituted policies and procedures designed to prevent conflicts of interest from arising and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with THL Credit’s fiduciary duty to its clients and in accordance with applicable law. THL Credit seeks to ensure that potential or actual conflicts of interest are appropriately resolved taking into consideration the overriding best interest of the applicable client.

THL Credit and its affiliates have organized or advised, and may organize or advise in the future, investment vehicles that invest in similar or different investments. As noted in Item 10, clients may be solicited to invest in THL Credit’s private funds for which THL Credit serves or may serve as the general partner or managing member or in which employees of THL Credit may hold positions of influence such as serving on the board of directors.

### ***Co-Investment Opportunities***

Co-Investment opportunities may be offered to one or more third parties and/or investors in one or more private funds managed by THL Credit. THL Credit may maintain discretion in which co-investors are made these offers and the priority order that such co-investment opportunities are made. Conflicts of interest arise as THL Credit may offer different fee and expense arrangements for the co-investment opportunity that differ from its clients. Additionally, conflicts of interest may arise where a portion of an investment opportunity that otherwise would have been invested in by a client is instead allocated to co-investors.

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

Follow-on investments in companies, including investments to finance follow-on acquisitions, may present conflicts of interest, including determination of the terms of the new financing as well as the allocation of the investment opportunities. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. Conflicts may also arise in allocating follow on investments when a client or fund is unable by account restrictions or cash availability to participate in the investment opportunity.

### ***Conflicts Relating to the Adviser***

THL Credit generally may, in its discretion, contract with any related person of THL Credit to perform services for THL Credit in connection with its provision of services to the clients. When engaging a related person to provide such services, THL Credit may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

THL Credit generally may, in its discretion, recommend to a client or to a company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) a related person of the THL Credit (including but not limited to a portfolio company of a client) or (ii) an entity with which THL Credit or its affiliates or a member of their personnel has a relationship or from which THL Credit or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, THL Credit may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

### ***Other Potential Conflicts***

THL Credit and its clients generally engage common legal counsel and other advisors in a particular transaction, including a transaction in which there may be conflicts of interest. In the event of a significant dispute or divergence of interest between clients, THL Credit and/or its affiliates, the parties may engage separate counsel in the sole discretion of THL Credit and its affiliates, and in litigation and other circumstances separate representation may be required.



## **Item 12 – Brokerage Practices**

### **General Considerations – Selecting / Recommending Dealers for Client Transactions**

The Direct Lending platform does not utilize brokers or dealers and therefore this section and the section titled “Research and Other Soft Dollar Benefits” apply only to the Tradable Credit platform.

In selecting dealers for Tradable Credit client transactions, THL Credit’s policy, consistent with investment considerations, is to seek the most favorable price and execution (or “best execution”) for brokerage orders. Best execution is generally understood to be a combination of most favorable net price under the circumstances and prompt, reliable execution. When selecting a brokerage firm, THL Credit may consider a number of factors, including but not limited to: the nature of the security being traded; the size and type of the transaction; the nature and character of the market for the security; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality, including trade anonymity; the quality of the execution, clearance and settlement services; financial stability of the broker-dealer, and the broker-dealer’s execution capabilities, including block positioning, and ability to obtain best price and execution. Spread or commission equivalents on all brokerage transactions are subject to negotiation, except in markets which have fixed commission rates or in the case of fixed price offerings. Negotiated markups and markdowns take into account the difficulty involved in execution, the time taken to conclude the transaction, the extent of the broker-dealer’s commitment, if any, of its own capital and the amount involved in the transaction. On relatively small trades, spreads can be a major factor in achieving most favorable price and execution. THL Credit compares the spreads which an executing broker-dealer is offering to the spreads offered by the other brokerage firms which could provide similar services. Broker-dealers may be paid an above-average commission equivalent for superior or difficult execution or for relatively small trades. For relatively large trades, commission rates or markups and markdowns (or “commission equivalents”) are not usually a major factor in achieving most favorable price and execution.

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

THL Credit considers the research capabilities of various brokerage firms through which it may invest consistent with the policy of seeking the most favorable net price and execution. These may include the reputation and standing of their analysts and their investment strategies, timing and accuracy of statistical information and idea generation. These supplemental research and statistical services generally consist of research reports or oral advice regarding particular companies, industries or general economic conditions.

THL Credit primarily transacts in privately negotiated debt and equity investments, bank loans and fixed income securities and does not typically transact in publicly traded equities to generate commissions or commission equivalents. If THL Credit generates commissions or commission equivalents for equity transactions it would be done in accordance with Section 28(e) of the Securities Exchange Act of 1934 and THL Credit may pay higher commissions or commission equivalents to brokerage firms that provide it with investment and research information than to firms that do not provide such services if THL Credit determines in good faith that such commissions are reasonable in relation to the overall services provided in terms of the particular transaction or in terms of THL Credit’s overall responsibilities with respect to the

accounts for which it exercises investment discretion. To the extent THL Credit uses client brokerage commissions or commission equivalents to obtain investment and research information without having to pay for it, THL Credit has an incentive to use brokers who agree to provide such investment and research services.

As stated above, THL Credit primarily transacts in privately negotiated debt and equity investments, bank loans, and fixed income securities on a principal basis. If THL Credit were to effect transactions with broker-dealers which pay for research services provided by third parties in accordance with Section 28(e) of the Exchange Act, such transactions would only include equity and fixed-income transactions effected on an agency or riskless principal basis. Section 28(e) permits an investment adviser, under certain circumstances, to cause an account to pay a commission to a broker-dealer who supplies brokerage and research services in excess of the amount of commission another broker-dealer would have charged for effecting the transaction. Brokerage and research services include: (a) furnishing advice as to the value of the securities, the advisability of investing, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, (b) furnishing analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts not used for marketing purposes, and (c) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement and custody).

THL Credit executes securities transactions with multiple executing dealers who provide the firm with access to proprietary research reports (such as standard investment research). To the best knowledge of THL Credit, these and other products and services are generally made available to all institutional investors doing business with such dealers. These bundled services are made available to THL Credit on an unsolicited basis and without regard to the rates of commissions charged or paid, or the volume of business THL Credit directs to such dealers. THL Credit does not separately compensate such dealers for the provision of such services.

It is possible that THL Credit could receive products or services which are used for both research and other purposes, such as for administration or marketing. In such cases THL Credit will make a good faith effort to determine the relative proportions of such products or services which may be attributed to research. The portion attributable to research may be paid through client brokerage commissions and the non-research portion will be paid in cash by THL Credit.

Research services provided by broker-dealers with whom THL Credit effects transactions related to for a particular account may be used by THL Credit in servicing its other accounts and not all such services may be used for the benefit of the client who pays the brokerage commission which results in the receipt of such research services. Commission or commission equivalents paid to broker-dealers providing research services may be higher than those charged by brokers not providing such services. THL Credit has established a Trade Management Committee for the Tradable Credit platform which consists of one or more representatives from each of the following areas: Portfolio Management, Trading and Legal/Compliance. The Trade Management Committee meets periodically to review brokerage allocation activity of the Tradable Credit platform among dealers and across product sectors, approve new broker-dealers, review best execution reports and to approve any new arrangements for soft dollar research and brokerage service provided by brokers. This committee serves as the focal point in managing the Tradable

Credit platform brokerage allocation practices so as to ensure that those practices comply with applicable law and THL Credit's policies and procedures.

### **Client Directed Brokerage**

THL Credit currently does not have any directed brokerage accounts.

### **Trade Aggregation and Allocation**

#### **Direct Lending**

Investment decisions on behalf of THL Credit's Direct Lending platform generally are completed through the Direct Lending Investment Committee. THL Credit is committed to allocating investment opportunities among its clients in a manner that, over time, is on a fair and equitable basis and has established detailed policies and procedures to guide the determination of such allocations. Those policies and procedures seek to mitigate the potential that THL Credit will allocate investment opportunities to its direct lending clients in a self-interested manner. Further, THL Credit has a direct lending client that is a BDC, THL Credit, Inc., and has clients which are private funds (and together with such other private funds as Direct Lending or any of its affiliates may sponsor). Because the BDC is regulated under the Investment Company Act of 1940, as amended (the "1940 Act"), these private funds are deemed to be affiliated with the BDC for the purposes of Section 57(b) of the 1940 Act. As a result, certain investment transactions involving the BDC and one or more of the private funds, collectively the "Funds", would be prohibited under Section 57(a) of the 1940 Act absent obtaining an exemptive order ("Exemptive Order") from the Securities and Exchange Commission ("SEC"). THL Credit, Inc., along with its affiliates THL Credit Advisors LLC and THL Credit Senior Loan Strategies LLC, were granted an Exemptive Order on December 8, 2015. Therefore, allocation procedures for Direct Lending are conducted in compliance with the Exemptive Order.

Direct Lending's allocation policy with respect to investment and disposition opportunities in privately negotiated transactions and is comprised of the following parts: (A) determining for which Fund(s) the investment opportunity is appropriate, or "Pre-Allocation Procedures", (B) (i) determining how to allocate among each participating BDC and the private funds an investment opportunity that is deemed to be appropriate for more than one Funds, including at least one BDC, and (ii) determining how to allocate an investment opportunity that is not appropriate for the BDCs among the private funds themselves (B being the "Allocation Procedures").

THL Credit will seek to allocate investment and disposition opportunities among the Funds in a manner that is fair and equitable over time. When making investment and disposition allocation decisions, THL Credit may consider a variety of factors, among others, on a relative or absolute basis, and may establish ratios, formulas or similar metrics to assist in making allocation decisions when the opportunity being considered may be appropriate for more than one Vehicle.

THL Credit may establish allocation committees for oversight of investment allocations to ensure compliance with the Exemptive Order. In general, because of the commonality and/or overlap of investment objective and policies among the Funds, investment and/or disposition opportunities that are attractive to one of the BDCs may be attractive to the other BDCs and/or one or more of the private funds. It is possible, however, that an investment or disposition may not be

appropriate for one or more of the BDCs or the private funds due to regulatory, tax, investment, or other restrictions.

Where THL Credit determines that based on the Pre-allocation Procedures, an investment or disposition opportunity is appropriate for one Fund but not any others, such opportunity will be allocated only to the Fund for which such investment opportunity is deemed appropriate. Where THL Credit determines that based on the Pre-allocation Procedures, an investment or disposition opportunity is appropriate for more than one Fund, such opportunity will be allocated in accordance with regulations under the 40 Act and/or an SEC Exemptive Order or SEC No Action Letter (e.g. Mass Mutual).

Other criteria that would make investment or disposition involving new or existing portfolio companies inappropriate for investment by one Fund include without limitation: (i) the investment objectives or strategies of a Fund; (ii) the liquidity objectives and constraints of a Fund, including during a ramp-up or wind-down of one or more Funds, proximity to the end of a Fund's specified term or investment period, and redemption/withdrawal requests, anticipated future contributions and available cash; (iii) tax considerations applicable to a Fund; (iv) risk, diversification or investment concentration parameters for a Fund; including, fixed or floating rate requirements, industry categories and credit rating requirements); (v) characteristics of the security or loan (including the expected return, type of security, seniority in the capital structure, and call and put features); (vi) supply or demand for a security at a given price level; (vii) size of the available investment, liquidity and duration of the investment opportunity; (viii) cash availability, suitability, client instructions, whether a purchase is being made for specific Fund, permitted leverage and available financing for the investment opportunity (including, without limitation, taking into account the levels/rates that would be required to obtain an appropriate return); (ix) whether the Fund is in the process of fundraising or is open to redemptions (in which case, notions of net asset value and available capital may be subjectively adjusted to account for anticipated inflows or redemptions); (x) the likelihood of current income; (xi) with respect to an investment opportunity originated by a third party, the relationship of a particular client (or the portfolio manager) to or with such third party; (xii) whether the investment opportunity is a follow-on investment; (xiii) avoiding a de minimis allocation; (xiv) availability and degree of leverage and any requirements or other terms of any existing leverage facilities ; (xv) the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals dedicated to a Fund; (xvi); the management of any actual or potential conflict of interest and; (xvii) such other factors as may be relevant to a particular transaction.

### **Tradable Credit**

Investment decisions on behalf of THL Credit's Tradable Credit platform generally are completed independently through the Tradable Credit Investment Committee. However, THL Credit may purchase or sell the same securities for a number of client accounts simultaneously. When deemed to be in the best interests of clients, orders for the same security are combined or "batched" to facilitate best execution and reduce brokerage commissions or other trading costs. For securities that trade in liquid markets (e.g., U.S. Government or Agency securities), orders may not be batched in situations where speed of execution is important and sufficient quantities exist such that execution quality is not likely to be impacted. When effecting batched transactions,

THL Credit follows procedures that are designed to ensure that no participating client is favored over any other client. Specifically, each client that participates in a batched transaction will participate at the average share price for those securities purchased, for that batched order. If THL Credit is unable to fully execute a batched transaction, the securities are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account. THL Credit may, however, depending on the underlying investments, increase or decrease the amount of securities allocated to each account, by applying various *de minimis* standards in order to avoid holding odd-lot or small numbers of securities for particular clients. Additionally, if THL Credit determines that it would be impractical or inappropriate to allocate such securities among the accounts participating in the transaction on a pro-rata basis, it may allocate such securities in a manner in good faith deemed to be a fair allocation taking into account such considerations, including, but not limited to: (i) the investment objectives of the accounts; (ii) diversification within the respective accounts; (iii) liquidity and cash available for investment in each account; (iv) the assets of such accounts; (v) the respective size of such accounts; (vi) credit ratings; (vii) the amount of securities proposed to be purchased or sold in the accounts; (viii) assignment fees; (ix) LIBOR spread; (x) country of domicile; and (xi) loan security package and documentation

In situations where purchases of securities in an underwritten public offering (“fixed income new issues”) are considered at the same time for two or more clients, the transactions in such securities will be allocated among the clients in the manner described above that is deemed to be fair and equitable by THL Credit. The exact allocation procedures utilized may vary depending on the type and nature of the securities being allocated and the accounts involved in such allocations.

### **Investment of New Accounts**

For new Tradable Credit institutional, private funds or BSL CLO and MM CLO accounts, THL Credit allows an extended time frame (generally up to three months) to fully invest the account depending upon the size, investment guidelines and restrictions of the account. The primary factors in determining how to allocate securities to new accounts includes the account’s cash balance, investment objectives of the accounts, diversification requirements and credit ratings. Therefore, new accounts may receive a higher priority during allocations of new issue offerings (depending on primary market activity) based on these characteristics.

### **Co-Investments Allocations**

In certain circumstances, THL Credit will determine that a co-investment opportunity should be offered to one or more un-affiliated third parties, including investors in one or more clients or private funds and may maintain discretion with respect to which co-investors are offered such opportunity. Each co-investment opportunity is likely to be different and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation (e.g. timing, industry, size, geography, asset class, etc.). Different situations will require that the various facts and circumstances of each opportunity be weighted differently. Such factors are likely to include, among others: (i) whether the potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of THL Credit, the clients, or other co-investments; (ii) the ability of a potential co-investor to process a co-investment decision within

the required timing deadline of the particular transaction; and (iii) such other factors that THL Credit deems relevant under the circumstances. Generally, THL Credit will, prior to making any co-investment opportunities available to any co-investor, determine whether any given investment opportunity is appropriate for other THL Credit clients pursuant to the contractual terms governing such other clients taking into account the other clients' investment strategy, THL Credit's policies and procedures and THL Credit's fiduciary duties. It is expected that few investors who express an interest in participating in co-investments alongside one or more clients will ultimately be offered an opportunity to so participate.

### **Cross Transactions**

To the extent permitted under applicable law, from time to time, when it may be appropriate for one client to purchase a security and for another to sell the same security (i.e., a cross trade), THL Credit may place such cross trades for its clients with one or more broker-dealers or effect the cross-trade through the applicable custodians in an attempt to seek the best execution for each client by obtaining reduced transaction or executions costs for each client. Cross trades may be conducted pursuant to governing documents relating to private funds and these cross trades may not be exposed to market forces and a client may not receive the best price otherwise possible. Since, in such transactions, THL Credit will represent both the client-seller and the client-buyer, THL Credit may have a conflict of interest given the obligation to seek the best price and most favorable execution. THL Credit will not execute cross trades for client accounts that are subject to ERISA, and when executing cross trades for registered investment companies, e.g., mutual funds, it will only do so in accordance with Section 17(a) of the 1940 Act.

### **Trade Errors**

THL Credit has adopted a trade error policy designed to ensure that any errors caused by the firm are resolved in a timely manner and in accordance with the advisory agreement or governing documents relating to the client.

### **Delegation and Use of Agents**

THL Credit may, at its own discretion, employ agents to perform any administrative or ancillary services required to enable it to perform its services hereunder without further notification to or consent of client, provided that any such delegation shall be revocable by THL Credit. THL Credit will act in good faith and with due diligence in the selection, use and monitoring of such agents. THL Credit shall remain responsible for its obligations hereunder and for all actions of any such agents to the same extent as THL Credit is liable for its own actions hereunder.

### **Item 13 – Review of Accounts**

For the Direct Lending platform, the client portfolios are generally private, illiquid and long-term in nature, and accordingly, THL Credit's review of them is not directed toward a short-term decision to dispose of securities. However, THL Credit closely monitors the portfolio companies of the clients. The portfolios are reviewed by a team of investment professionals on an on-going basis and at least twice weekly. The team includes the members of the Direct Lending Investment Committee and other investment professionals of THL Credit.

For the Tradable Credit platform, the Tradable Credit professionals perform day-to-day portfolio credit monitoring which consists of reviewing and analyzing the financial condition of all portfolio credits on a continuous basis. Regular staff meetings allow for the review and discussion of market conditions and portfolio price movements, the forward calendar, secondary market activity and watch list credits. Client accounts are reviewed on a weekly, monthly, quarterly and annual basis. This review focuses on adherence to investment guidelines, execution of investment strategy, credit risk, performance and leverage guidelines, if applicable. These reviews are performed by the Tradable Credit Investment Committee.

Tradable Credit transactions are generally governed by terms and conditions set forth in credit agreements, which contains numerous restrictive covenants with which to comply. These covenants place limitations on certain activities, particularly in the areas of financial performance, indebtedness and acquisitions, in order to provide the senior lending group with a level of control throughout the duration of the credit facilities. High yield instruments are typically governed by terms and conditions in the form of a trust indenture, which also contains numerous restrictive covenants with which to comply. THL Credit closely monitors covenant maintenance and stresses its importance in the credit monitoring process.

THL Credit's investors receive written reports that vary according to investment product (i.e., separate account, private fund or CLO) but typically consist of monthly or quarterly summaries of account characteristics, performance information and market commentary.

Private fund investors will receive a quarterly statement from the fund's administrator. Private fund investors will also receive audited financial statements within 120 days of the fund's fiscal year-end.

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

Although THL Credit has no current solicitation arrangements in place, it may in the future decide to pay fees to persons for client referrals, as permitted by Rule 206(4)-3 of the Investment Advisers Act of 1940. Such fees would be paid by THL Credit and not by the client. THL Credit will not charge the referred client a higher fee to compensate for the fee it pays to the solicitor.

THL Credit or its affiliates have entered into one or more placement arrangements with unaffiliated third parties to solicit investors in the various private funds managed by THL Credit or its affiliates. THL Credit or its affiliates may pay a retainer fee and/or a portion of the management fees earned in respect of investors introduced by such third party. Such fee sharing will not increase the fees charged to an investor.



## **Item 15 – Custody**

### **Separate Accounts, Non-Discretionary Accounts**

THL Credit does not act as custodian or maintain physical possession of client funds and securities that a client maintains in a separately managed account or in a non-discretionary account. Separate and non-discretionary account clients may receive a statement from the custodian as well as from THL Credit. Clients are urged to compare the statements for accuracy. THL Credit's statements may vary from custodial statements because of differences in accounting procedures, reporting dates or valuation methodologies of certain securities.

### **Private Funds**

With the exception of certain privately offered securities, physical custody of assets of a private fund will be maintained by a qualified custodian. THL Credit acts as general partner or investment adviser to limited partnerships and may be deemed to have custody of client assets. Client assets in pooled investment vehicles are either subject to an annual audit by an independent account firm that is provided to investors within 120 days after fiscal year end or will undergo an annual surprise examination by an independent public accountant.

## **Item 16 – Investment Discretion**

### **Discretionary**

THL Credit accepts discretionary authority to supervise and direct investments for and on behalf of its client accounts. THL Credit assumes this authority through the execution of an investment advisory agreement with the client which explains the nature of THL Credit's authority to buy and sell investments in the account subject to the terms of written investment policies and guidelines established by the client.

THL Credit has discretion to establish, maintain and deal through accounts with one or more brokerage firms that it selects unless a client limits this authority by requiring that all or a portion of the client's transactions be executed through a broker/dealer. This type of limitation, called *Directed Brokerage*, is discussed further in Item 12 – "Brokerage Practices."

Other limitations on THL Credit's authority vary depending on an individual client's investment policies and guidelines. For example, a client may limit THL Credit's authority by prohibiting or limiting the purchase of certain security types or industry sectors. In some cases, the client may direct THL Credit to hold securities transferred by the client upon the commencement of the account relationship even though they may not be in compliance with the client's investment policy.

### **Non-Discretionary**

THL Credit may also provide non-discretionary investment management services to institutional and individual clients whereby it is required to obtain consent from a client before effecting any transactions for a client's account.

## **Item 17 – Voting Client Securities**

For THL Credit's Direct Lending platform, THL Credit does not generally vote proxies on behalf of its clients' accounts, as proxy voting is not applicable based on type of investments, which are generally made into private and middle market companies. For THL Credit's Tradable Credit platform, THL Credit does not generally vote proxies on behalf of its clients' accounts, as proxy voting is not applicable to the asset class.

However, THL Credit may occasionally participate in a loan workout or creditor committee and THL Credit will represent its clients' long term best economic interest without regard for its own personal interest.

For THL Credit's clients that are registered investment companies or business development companies, THL Credit will disclose this policy to shareholders of such funds.

THL Credit has adopted proxy voting guidelines that are designed to provide guidance with respect to certain types of voting proposals that may arise. The guidelines have been developed based on the concept that implicit in the initial decision to retain or invest in the security of a corporation is approval of its existing corporate ownership structure, its management and its operations. Hence, THL Credit tends to vote most routine matters in accordance with management recommendations, provided there is no conflict with shareholder value. Accordingly, proxy proposals that would change the existing status of a corporation will be reviewed carefully and supported only when it seems clear that the proposed changes are likely to benefit the corporation and its shareholders.

In instances where a potential conflict of interest exists, THL Credit will provide the client with sufficient information regarding the shareholder vote and the potential conflict so that the client can make an informed decision regarding whether or not to consent.

A complete copy of the current Proxy Voting Policies, Procedures and Guidelines may be obtained by sending a written request to THL Credit Advisors LLC, Attention: Chief Compliance Officer, 100 Federal Street, 31st Floor, Boston, MA 02110.

**Item 18 – Financial Information**

There are no financial conditions that are likely to impair THL Credit's ability to meet its contractual commitments to clients. THL Credit is not otherwise required to provide information about its financial position.