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## MIDCAP FINANCIAL SERVICES

### CAPITAL MANAGEMENT, LLC

#### FORM ADV PART 2A

**March 30, 2020**

Business Address:

7255 Woodmont Avenue  
Bethesda, MD 20814 USA

Contact Information:

Pierrette A. Bradshaw, Esq.  
Chief Compliance Officer  
Phone: (301) 760-7600  
Fax: (301) 941-1450  
7255 Woodmont Avenue, Suite 200  
Bethesda, MD 20814 USA  
Compliance@MidCapfinancial.com

**This brochure provides information about the qualifications and business practices of MidCap Financial Services Capital Management, LLC (“MidCap Financial Capital Management”). If you have any questions about the contents of this brochure (“Brochure”), please contact us at (301) 760-7600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about MidCap Financial Capital Management also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

MidCap Financial Capital Management is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

## **ITEM 2**

### **Material Changes**

This Item 2 discusses only material changes since our annual updating amendment, dated March 30, 2019.

In this annual updating amendment of March 30, 2020, we have updated, various Items to reflect MidCap Financial Capital Management's services as sub-advisor with respect to certain commercial mortgage investments. Further we updated Item 15 based on recent SEC Staff guidance, MidCap Financial Capital Management would be deemed to have custody of client funds based on its affiliate acting as loan agent.

Finally, additional comments and risks have been added under Item 8 in light of the COVID-19 pandemic.

*Important Note about this Brochure*

This Brochure is not:

- ***An offer or agreement to provide advisory services to any person;***
- ***An offer to sell interests (or a solicitation of an offer to purchase interests) in any private investment fund (each a “Fund”), any other pooled investment vehicle including, but not limited to, any collateralized loan obligation or other similar securitization issuer (each such pooled investment vehicle, a “CLO”),***
- ***An offer to enter into any separately managed account or “fund of one” (each an “SMA”); or***
- ***A complete discussion of the features, risks or conflicts associated with any Fund, any CLO, any SMA or any advisory service offered by MidCap Financial Capital Management.***

*As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), MidCap Financial Capital Management provides this Brochure to current and prospective clients and could also, in its discretion, provide this Brochure to current or prospective investors in clients, together with other relevant documents applicable thereto including but not limited to a client’s organizational documents, a CLO’s indentures and other related transaction documents (“Governing Documents”), prior to, or in connection with, such persons’ investment in the related client. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.*

*Although this publicly available Brochure describes investment advisory services and products of MidCap Financial Capital Management, persons who receive this Brochure (whether or not from MidCap Financial Capital Management) should be aware that it is designed solely to provide information about MidCap Financial Capital Management as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure differs from information provided in the Governing Documents. More complete information about each CLO is included in the Governing Documents, certain of which are provided to current and eligible prospective investors only by MidCap Financial Capital Management or by persons authorized to communicate with current or potential eligible investors by or on behalf of MidCap Financial Capital Management. To the extent that there is any conflict between discussions herein and similar or related discussions in any such Governing Documents, such Governing Documents shall govern and control.*

*No offer or solicitation for an investment in a CLO advised by MidCap Financial Capital Management will be made before the delivery of the Offering Memorandum to potential investors who should read the Offering Memorandum carefully and consult with their tax, legal and financial advisors before making any investment decision.*

*Throughout this Brochure, “Clients” refers to clients to whom MidCap Financial Capital Management provides (or will in the future provide) discretionary or non-discretionary investment advisory services (whether as adviser or sub-advisor) and “investors” refers to underlying investors in the client.*

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## **ITEM 4**

### **Advisory Business**

MidCap Financial Services Capital Management, LLC (“MidCap Financial Capital Management”) is a Delaware limited liability company organized on October 3, 2016. Its principal place of business is at 7255 Woodmont Avenue, Bethesda, MD 20814. MidCap Financial Capital Management is an indirect wholly owned subsidiary of MidCap FinCo Designated Activity Company (“FinCo”), a private company limited by shares incorporated under the law of Ireland. FinCo’s parent, MidCap FinCo Holdings Limited (“Parent”), is owned by various third-party investors none of whom own more than 25% interest in Parent. Parent and its subsidiaries (including MidCap Financial Services, LLC (“Midcap Financial Services”), MidCap Financial Trust and MidCap Financial Services (Ireland) Limited (“MidCap Ireland”), as the context requires, but not including MidCap Financial Capital Management, the collateralized loan obligation funds and similar securitization issuers (“CLOs”) and related CLO warehouse vehicles, if any (“CLO Warehouses”) that MidCap Financial Capital Management manages, are referred to herein as the “MidCap Group.” The MidCap Group is a middle-market focused specialty finance firm that provides financing to primarily middle market companies in a wide variety of industries. The MidCap Group uses its own capital (including the capital of the CLOs and CLO Warehouses that MidCap Financial Capital Management advises) to directly originate senior credit in middle-market loans, some of which are CLO-eligible loans, and commercial mortgage investments (“CMIs”), which are currently not expected to be CLO-eligible loans.

MidCap Financial Capital Management currently provides investment advisory services on a discretionary basis to its clients, which include, primarily, pooled investment vehicles organized as CLOs, and on a non-discretionary basis for clients investing in CMIs (“CMI Clients”), which are through a sub-advisory arrangement. While, as of the date of this Brochure, MidCap Financial Capital Management does not provide investment supervisory services to CLO Warehouses and other types of clients not specified in this brochure, it could do so in the future, and will update Part 2A accordingly.

The SEC, other regulatory bodies, and the courts have consistently construed the laws and regulations governing investment advisers as imposing a fiduciary duty on them consistent with the scope of the agreements and principal and agent relationship with respect to their dealings with clients. It is the policy of MidCap Financial Capital Management to act in a manner consistent with this position. Acting as a fiduciary requires that an investment adviser, consistent with its other statutory and regulatory obligations and except as otherwise disclosed to clients, acts solely in the advisory client’s best interests when providing investment advice and engaging in other fiduciary activities on behalf of the client.

MidCap Financial Services employs loan sourcing, servicing and back office and loan administration employees to assist in originating commercial and mortgage loans. Please refer to Item 8 “Methods of Analysis, Investment Strategies and Risk of Loss,” and Item 10 “Other Financial Industry Activities and Affiliations” for more information. MidCap Financial Capital Management’s recommendations will generally be limited to assets described below.

Generally, the CLOs will be organized in the Cayman Islands, United States or the European Union as exempted companies that rely on Section 3(c)(7) of, or Rule 3a-7 under, the Investment

Company Act of 1940 (the “1940 Act”), or other applicable exceptions or exemptions from the 1940 Act.

The CLOs and CLO Warehouses for which MidCap Financial Capital Management performs investment advisory services invest primarily in senior secured loans (i) originated by the MidCap Group or (ii) which were acquired from or made available to the MidCap Group by a third party or related party. MidCap Financial Capital Management’s objective in managing the assets of each CLO is to achieve preservation of principal and diversification by company and industry.

MidCap Financial Capital Management also invests in senior secured loans sourced by Apollo Capital Management, L.P. (“ACM”) and/or another Apollo affiliate. ACM is a registered investment adviser with the SEC and is a subsidiary of Apollo Global Management, LLC (“AGM”, and together with its affiliates, “Apollo”), a Delaware limited liability company that is publicly listed on the New York Stock Exchange under the symbol “APO.” ACM is primarily engaged in managing Apollo’s credit business and controls the investment and collateral managers to the funds, single investor funds and separately managed accounts that fall within Apollo’s credit business segment. ACM also serves as investment manager to FinCo and its subsidiaries. Certain senior secured loans in which MidCap’s clients invest are originated by Apollo and are made available to the MidCap Group, as described herein. Please see Item 10 for additional information regarding ACM.

For CLO Clients, MidCap Financial Capital Management manages CLOs and CLO Warehouses in which MidCap Financial Capital Management or another member of the MidCap Group acts as sponsor of the CLOs and CLO Warehouses for purposes of the U.S. Risk Retention Rules. As described further herein, the U.S. Risk Retention Rules require a sponsor of a securitization transaction (or its “majority-owned affiliate”) to retain at least 5% of the economic interest in the credit risk of the securitized assets.

MidCap Financial Capital Management also serves as a non-discretionary sub-advisor to Apollo Insurance Solutions Group LLC (“AISG”) for CMI Clients. These CMI Clients’ investment objective is to achieve preservation of principal by investing primarily in senior commercial mortgage loans (i) originated by the MidCap Group or (ii) which were acquired from or made available to the MidCap Group by a third party or related party. As sub-advisor, MidCap Financial Capital Management identifies and recommends, on a non-discretionary basis, such CMI assets to AISG, and manages the CMI assets held by such clients. ACM also serves as a investment manager to AISG. Certain CMI assets if approved, will be referred to ACM for allocation by ACM to its eligible clients, including but not limited to AISG. Please see Item 6 for additional information regarding the allocation of CMIs.

### **Investment Advisory Relationship with the CLOs**

The advisory relationship between each CLO or, as applicable, CLO Warehouse and MidCap Financial Capital Management is governed by the respective collateral management agreement between the CLO and MidCap Financial Capital Management (“Management Agreement”) and the terms of other relevant offering materials, indentures, disclosure documents, Management Agreements and the constituent documents (“Governing Documents”). The Management Agreements are generally negotiated between related parties and, as such, their terms, including

the fees payable to MidCap Financial Capital Management, might not be as favorable to the client as if they had been negotiated with an unaffiliated, unrelated third party. Such terms are described in more detail in the client's offering documents.

MidCap Financial Capital Management is permitted, and expects, to provide investment management services to additional private pooled investment vehicles, including other CLOs that are offered to investors on a private placement basis without prior consultation with, or approval of, existing clients.

In connection with providing investment management services, MidCap Financial Capital Management is appointed as investment adviser with discretionary trading authority for the CLOs. Except in limited circumstances, MidCap Financial Capital Management has full discretionary authority with respect to the investment decisions of the CLOs; however, advice is provided in accordance with the investment objectives, guidelines and restrictions set forth in each CLO's Governing Documents and investment guidelines. In addition, as discussed in Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," MidCap Financial Capital Management expects that CLOs and CLO Warehouses will enter into principal transactions whereby a CLO or CLO Warehouse will buy an asset from (or sell an asset to) the MidCap Group. In these cases, MidCap Financial Capital Management will provide notice to, and request the informed consent of, the CLO or CLO Warehouse. Consent determinations will be made on the CLO or CLO Warehouse's behalf by its representative (which could be the CLO board, an independent director or trustee, an independent investment professional, an investor or group of investors or another person or entity designated by the CLO or CLO Warehouse who is independent of the MidCap Group, each an "Independent Review Party"). No principal transaction will be completed prior to receiving the required consent from the Independent Review Party.

***The information provided herein about the investment advisory services provided by MidCap Financial Capital Management is qualified in its entirety by reference to the relevant CLO Governing Documents. The Governing Documents for each CLO should be read carefully prior to investment. No offer to sell interests in the CLOs is made by the descriptions in this Brochure. CLOs are available only to investors that meet the qualifications described in the offering documents.***

As of December 31, 2019, for CLO Clients, MidCap Financial Capital Management managed \$3,983,644,966.56 on a discretionary basis and \$0 on a non-discretionary basis.

### **Investment Advisory Relationship with the CMI Clients**

MidCap Financial Capital Management serves as sub-advisor to AISG by identifying and recommending (on a non-discretionary basis) CMIs to AISG for its clients and by managing those assets. The relationships among MidCap Financial Capital Management, AISG and the CMI Clients are governed by a sub-advisory agreement between MidCap Financial Capital Management and AISG (the "AISG Sub-Advisory Agreement") and by an investment management agreement between each CMI Client and AISG (the "AISG Investment Management Agreements").

MidCap Financial Capital Management is permitted to provide CMI management services to additional CMI Clients outside of the AISG relationship without prior consultation with, or approval of, existing clients, but MidCap Financial Capital Management currently has no expectation of doing so.

In connection with providing CMI management services under the AISG Sub-Advisory Agreement, MidCap Financial Capital Management is appointed as investment sub-adviser to AISG with non-discretionary authority for the CMI clients of AISG. Under the AISG Sub-Advisory Agreement, advice is provided in accordance with the investment objectives, guidelines and restrictions set forth in the applicable AISG Investment Management Agreement. In addition, as discussed in Item 11, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading,” MidCap Financial Capital Management expects that CMI Clients will enter into principal transactions whereby a CMI Client will buy an asset from the MidCap Group. In these cases, MidCap Financial Capital Management will provide notice to, and request the informed consent of, the CMI Client or its investment adviser, AISG. No principal transaction will be completed prior to receiving the required consent from the CMI Client’s investment adviser.

***The information provided herein about the investment advisory services provided by MidCap Financial Capital Management is qualified in its entirety by reference to the relevant CLO Governing Documents. The Governing Documents for each CLO should be read carefully prior to investment. No offer to sell interests in the CLOs is made by the descriptions in this Brochure. CLOs are available only to investors that meet the qualifications described in the offering documents.***

### **Assets under Management**

As of December 31, 2019, MidCap Financial Capital Management managed \$3,983,644,966.56, all on a discretionary basis.

## **ITEM 5 Fees and Compensation**

### **CLO Management Fees**

MidCap Financial Capital Management generally receives management fees in connection with the investment management services it provides to each of the CLOs and, if and as provided by the constituent documents, it or its affiliates could also receive other incentive compensation related to the performance of a CLO. Such management fees or other compensation will generally be negotiable and are established at the beginning of the advisory relationship with each CLO. Specific details of payment terms and compensation, including methods of calculation, are set out in the Governing Documents of each CLO. MidCap Financial Capital Management has the authority to negotiate compensation with strategic partnerships, managed accounts and certain other investors in certain limited circumstances. From time to time, CLOs can be refinanced with the consent of the equity holders in the CLO resulting in additional fees being borne by such equity holders of the CLO.



CLO management fees are sometimes structured with a portion of such fee payable as a senior management fee and a portion payable as a subordinated management fee. Management fees are typically payable monthly or quarterly in arrears, are deducted from each CLO's account and are dependent in part on certain cash distribution constraints set forth in the constituent documents for each CLO.

Collateral management fees, which can include management fees for CLO clients, are payable only to the extent that funds are available in accordance with the priority of payments described in the CLOs' indentures.

### **CMI Management Fees.**

MidCap Financial Capital Management receives management fees in connection with the sub-advisory services it provides to AISG CMI Clients. Such fees are based on the aggregate outstanding principal amount of each CMI (or portion thereof) purchased by the CMI Client in connection with MidCap Financial Capital Management's sub-advisory services for so long as the applicable Client holds such CMI. The rate for such sub-advisory fees varies depending upon the amount of origination or similar fees received by MidCap Financial Capital Management or affiliated members of the MidCap Group as part of the origination of the applicable CMI. In addition, MidCap Financial Capital Management receives a supplemental sub-advisory fee from AISG if the applicable CMI is paid in full prior to default.

### **CLO Warehouse Fees**

Any CLO Warehouses are expected to pay customary management fees, customary structuring fees and/or "warehouse success fees" (collectively, "CLO Warehouse Fees") to MidCap Financial Capital Management under CLO Warehouse Governing Documents as negotiated by on a deal-by-deal basis. CLO Warehouse Fees often include fees similar to management fees and incentive fees, described above, as well as certain fees negotiated in connection with a CLO payoff of such warehouse facility, in each case as described in the transaction documents for the warehouse facility.

### **Expenses Charged to CLOs and CLO Warehouses**

In accordance with the terms of MidCap Financial Capital Management's Management Agreement with the CLOs or CLO Warehouses and applicable Governing Documents for a warehouse facility, the CLOs will generally (and CLO Warehouses can, depending on the Governing Documents) reimburse MidCap Financial Capital Management from time to time for certain out-of-pocket expenses related to the services provided by MidCap Financial Capital Management and third parties to the CLOs or CLO Warehouses. Additionally, each CLO or CLO Warehouse will bear a variety of fees and expenses, as described generally below, that are to be paid to MidCap Financial Capital Management, its affiliates or third-parties such as attorney fees.

**Organizational Expenses for CLOs and CLO Warehouses.** Each CLO or CLO Warehouse will typically pay or otherwise bear all fees, costs, expenses, and other liabilities incurred in connection with the formation and organization of such CLO, including commissions, costs, and all out-of-pocket legal, accounting, filing, capital raising, printing, electronic database, travel (which can include expenses for the use of private aircraft, first class or business class travel as well as ground

transit), accommodations, meals and other similar fees, costs and expenses (collectively, the “Organizational Expenses”) as set forth in the Governing Documents. In some cases, the treatment of fees, costs and expenses are consistent from CLO to CLO while in other cases these will be specific to a particular CLO. As a result, investors should review their CLO’s Governing Documents for further information and the discussion herein is intended as a general overview and, as such, is qualified in whole by such Governing Documents.

**Operating Expenses for CLOs and CLO Warehouses.** In addition, each CLO or CLO Warehouse, subject to its Governing Documents, will typically pay or otherwise bear all of the direct and indirect fees, costs, expenses and other liabilities or obligations resulting from or arising in connection with its operations (collectively, the “Operating Expenses”). The Operating Expenses of a particular CLO or CLO Warehouse are set forth in its Governing Documents and can include, without limitation, fees, costs and expenses related to or arising from the following:

- (i) legal advisers, consultants, rating agencies, accountants, brokers and other professionals (including the advisory services provided by Redding Ridge described herein) retained or employed by the CLO, CLO Warehouse or MidCap Financial Capital Management or its affiliates;
- (ii) asset pricing and asset rating services, independent review party services, appraisal services, hedging services, custodial, trustee, transfer agent and recordkeeping services, collateral management services, compliance services and software, and accounting, programming and data entry services directly related to the management of the assets of the CLO or CLO Warehouse and/or the structuring of the CLO or CLO Warehouse;
- (iii) all taxes, regulatory and governmental charges (not based on the income of MidCap Financial Capital Management) and insurance premiums, insurance retention amounts or expenses;
- (iv) any and all costs and expenses incurred in connection with the acquisition, disposition of investments on behalf of the CLO or CLO Warehouse (whether or not actually consummated) and management thereof, including attorneys’ fees and disbursements and hedging fees and expenses;
- (v) preparing reports to the CLO’s or CLO Warehouse’s investors;
- (vi) reasonable travel expenses (including without limitation airfare, meals, lodging and other transportation) undertaken in connection with the performance by the MidCap Financial Capital Management of its duties pursuant the Management Agreement and other Governing Documents;
- (vii) risk management assessments and analysis of such CLO’s or CLO Warehouse’s assets;
- (viii) expenses and costs in connection with any investor conferences;

- (ix) any broker or brokers in consideration of brokerage services provided to MidCap Financial Capital Management in connection with the sale or purchase of any assets of the CLO or CLO Warehouse;
- (x) bookkeeping, accounting or recordkeeping and reporting services obtained or maintained with respect to the CLO or CLO Warehouse;
- (xi) software programs licensed from a third party and used by MidCap Financial Capital Management in connection with servicing the assets of the CLO or CLO Warehouse;
- (xii) fees and expenses incurred in obtaining the market value of the assets of the CLO or CLO Warehouse (including without limitation fees payable to any nationally recognized pricing service);
- (xiii) audits incurred in connection with any consolidation review;
- (xiv) any costs and expenses in connection with compliance with the Risk Retention Rules; and
- (xv) maintaining such CLO or CLO Warehouse and any of its subsidiary entities, including fees, costs and expenses incurred in the organization and restructuring of such subsidiary entities;
- (xvi) insurance allocated to such CLO or CLO Warehouse (including MidCap Financial Capital Management's group insurance policy, general partner's, directors' and officers' liability or other similar insurance policies, errors and omissions insurance, financial institution bond insurance and any other insurance for coverage of liabilities to any person that are incurred in connection with activities of such CLO or CLO Warehouse), litigation expenses, (including expenses incurred in connection with the investigation, prosecution, defense, judgment or settlement of litigation) and other extraordinary expenses (including fees, costs and expenses that are classified as extraordinary expenses under U.S. generally accepted accounting principles);
- (xvii) such CLO's or CLO Warehouse's indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying covered persons consistent with such CLO's or CLO Warehouse's Governing Documents, and advancing fees, costs and expenses incurred by any such covered persons in defense or settlement of any claim that could be subject to a right of indemnification under such CLO's or CLO Warehouse's Governing Documents);
- (xviii) any amendments, modifications, revisions or restatements to the Governing Documents of such CLO or CLO Warehouse;
- (xix) the dissolution, winding up and termination of such CLO; and

- (xx) any expenses as otherwise agreed to by or reflected in the offering memorandum for the CLO or CLO Warehouse and MidCap Financial Capital Management.

The foregoing categories of fees, costs, expenses and other liabilities shall be Organizational Expenses and Operating Expenses, respectively, regardless of whether the person or entity providing or performing the service or output giving rise to such fees, costs, expenses or other liabilities is associated with the CLO or CLO Warehouse (such as the general partner (or similar person) of the CLO or CLO Warehouse, its investment adviser or any of their respective affiliates) or is a third party. Any person associated with the CLO or CLO Warehouse is entitled to reimbursement from such CLO or CLO Warehouse or its portfolio investment for any Operating Expenses or Organizational Expenses paid and/or incurred by them on behalf of such CLO or CLO Warehouse. MidCap Financial Capital Management has discretion to seek reimbursement for Organizational Expenses and Operating Expenses and could choose not to seek reimbursement from certain CLOs or CLO Warehouses or for certain expenses. In circumstances where MidCap Financial Capital Management or a member of the MidCap Group retains the equity in a CLO, MidCap Financial Capital Management or a member of the MidCap Group can pay for the portion of expenses that would otherwise be allocated to such CLO or CLO Warehouse notwithstanding that other portions of such expense have been allocated to, and will be borne by, one or more other CLOs or CLO Warehouses. In addition, if any service provider provides services to a CLO or CLO Warehouse on the premises of MidCap Financial Capital Management or affiliates, such CLO or CLO Warehouse will likely also be responsible for any overhead, rent or other fees, costs, and expenses charged by MidCap Financial Capital Management or its affiliates in connection with the on-site arrangement.

### **Operating Expenses Generally.**

All fees, costs and expenses incurred by MidCap Financial Capital Management personnel for travel, accommodations, meals, events, entertainment and other similar fees, costs and expenses are subject to MidCap Financial Capital Management's standard practices with respect to travel and expense reimbursement.

MidCap Financial Capital Management, the MidCap Group and their respective affiliates (including ACM as the investment manager of the MidCap Group) from time to time enter into arrangements with service providers that provide for fee discounts for services rendered to MidCap Financial Capital Management and its affiliates. For example, certain law firms retained by MidCap Financial Capital Management or one or more of its affiliates discount their legal fees for non-investment transaction legal services, such as legal advice in connection with firm operational, compliance and related matters. To the extent such law firms also provide legal services in connection with transactions or to MidCap Financial Capital Management CLO or CLO Warehouse or CMI Clients with respect to such matters, such CLOs or CLO Warehouses or CMI Clients will likely enjoy the benefit of such fee discount arrangements.

To the extent that MidCap Financial Capital Management or an affiliate is in a position to select or negotiate fees and expenses with a service provider, and/or acts as a service provider, MidCap Financial Capital Management faces a conflict of interest in that it has an incentive to seek to receive, or be relieved from bearing, certain fees or costs associated therewith, which will not

always be passed forward for the benefit of the CLO or CLO Warehouses or CMI Clients. See “Services from MidCap Group” below.

**Allocation of Expenses to CLOs and CLO Warehouses.** MidCap Financial Capital Management and its affiliates from time to time incur fees, costs and expenses on behalf of more than one CLO and/or CLO Warehouse. To the extent such fees, costs and expenses are incurred for the account or benefit of more than one CLO or CLO Warehouse, each relevant CLO or CLO Warehouse will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in the activity or entity to which the expense relates (subject to the terms of each CLO’s or CLO Warehouse’s applicable Governing Documents), on a non pro-rata per transaction basis, or in such other manner as MidCap Financial Capital Management considers fair and equitable under the circumstances. MidCap Financial Capital Management endeavors to allocate such fees, costs and expenses on a fair and equitable basis. Due to differing pecuniary interests of MidCap Financial Capital Management and/or its affiliates in the CLOs or CLO Warehouses, MidCap Financial Capital Management has a potential conflict of interest in making allocation decisions, especially if there is an overlap in investment amongst active CLOs. MidCap Financial Capital Management will allocate such fees, costs and expenses in proportion to the size of the investment in the instrument, activity or entity to which the expense relates, on a non pro-rata per transaction basis, or in such other manner as it considers fair and equitable and pursuant to its allocation policies.

In addition, investments held by clients of MidCap Financial Capital Management could also be held by the MidCap Group. To the extent that MidCap Financial Capital Management or other members of the MidCap Group incur fees, costs and expenses related to an investment held by a CLO or CLO Warehouse and a member of the MidCap Group, and MidCap Financial Capital Management elects to allocate a portion of such expenses to one or more CLOs or CLO Warehouses, it is expected that such costs and expenses will be allocated *pro rata* based on hold size in the investment (or alternatively on a non pro-rata per transaction basis) between the CLO and CLO Warehouses, on the one hand, and the MidCap Group, on the other hand. The portion allocated to the CLOs and CLO Warehouses will be allocated between such CLOs and CLO Warehouses as set forth in the preceding paragraph.

### **Expenses Relating to CMIs.**

In addition to fees and expenses payable under the AISG Investment Management Agreements, or associated with AISG’s advisory services, CMI Clients will bear certain additional expenses in connection with MidCap Financial Capital Management’s advice, as and to the extent provided in the applicable investment management agreement or sub-advisory agreement. Under the AISG Sub-Advisory Agreement, MidCap Financial Capital Management will be responsible for all expenses incurred by it (or by any of its affiliates) in performing its obligations under the agreement.

**Services from the MidCap Group.** Members of the MidCap Group provide services to MidCap Financial Capital Management and the CLOs and CLO Warehouses, including: (i) providing assistance with portfolio management and underwriting, research, assessments and other information on potential investment opportunities; (ii) passing along information that was provided from third parties with respect to potential investment opportunities; (iii) providing physical space,

back-office and other administrative services including, but not limited to, supporting legal, tax, accounting, compliance and risk functions; and (iv) providing advice and expertise related to the financing strategies employed by MidCap Financial Capital Management and its affiliates and granting permission for MidCap Financial Capital Management to use the MidCap Group's contacts at various institutions to help identify potential/prospective investors. MidCap Financial Capital Management will bear fees, costs or expenses in connection with these services. In consideration for providing such services, certain members of the MidCap Group will be entitled to service fees pursuant to service agreements with MidCap Financial Capital Management and will be entitled to reimbursement from the client for certain costs and expenses pursuant to such service agreements.

### **Special Fees and Management Fee Offsets**

One hundred percent of all consulting or management consulting fees, investment banking fees, advisory fees, breakup fees, directors' fees, closing fees, transaction fees related to its or their negotiation of the acquisition and financing of portfolio investments, and similar fees (including interest, commitment fees or other fees received in connection with a bridge financing), whether in cash or in kind, including options, warrants, royalty streams and other non-cash consideration, in connection with certain CLOs' respective actual or contemplated investments (collectively, "Special Fees") paid to MidCap Financial Capital Management or its affiliates with respect to any actual or potential investment by the CLOs or CLO Warehouses will be retained and will not reduce or offset the amount of any fees otherwise payable to such entities in accordance with the terms of the relevant agreement providing for such fees.

CLOs and CLO Warehouses are not required to pay fees, costs or expenses in advance. In addition, no personnel of MidCap Financial Capital Management or its affiliates receives compensation in connection with the sale of interests in CLOs or CLO Warehouses.

### **Loan Related Fees for Services**

The MidCap Group will underwrite and originate loans, some of which the CLOs and CLO Warehouses will ultimately acquire. Typically, the MidCap Group receives and retains for itself fees from the related borrowers or otherwise receives fees in connection with such loans. Fees retained by the MidCap Group include, but are not limited to, structuring, commitment, origination, syndication, monitoring, agent and/or other fees, as set forth in the relevant loan documents. These fees serve to compensate such entity for services provided by it in connection with the loans and are not the type of fees typically received by lenders on such loans for the extension of credit. Consequently, these fees are not offset by MidCap Financial Capital Management against management fees paid by its clients for investment advisory and management services. MidCap Financial Capital Management will give the CLOs or CLO Warehouses and the CMI Clients the benefit of original issue discount for newly originated loans acquired at or shortly after origination. The CLOs and CLO Warehouses and the CMI Clients are also entitled to receive any other fees that are typically received by lenders with respect to loans, such as prepayment and amendment fees, that do not relate to specific services provided to the obligor. The MidCap Group's receipt of fees for services with respect to loans that could be acquired by CLOs and CLO Warehouses or CMI Clients represents a potential conflict of interest to the extent that the MidCap Group has an economic incentive to underwrite and originate, and MidCap Financial Capital

Management has an economic incentive to recommend or cause clients to invest in, such loans. MidCap Financial Capital Management will not make allocation decisions on the basis of whether or not a particular client permits the MidCap Group to retain such fees.

## **ITEM 6**

### **Performance Based Fees and Side-By-Side Management**

“Performance-Based Fees” include any compensation that is based on a share of capital gains on or capital appreciation of the assets of an account. “Side-by-Side Management” refers to the simultaneous management of multiple accounts, some of which pay performance-based fees and others of which charge other types of fees, including asset-based management fees, but not performance-based fees. Performance-based fees and side-by-side management create a variety of conflicts of interests for investment advisers. As of the date of this Brochure, MidCap Financial Capital Management charges only asset-based management fees, but MidCap Financial Capital Management could, if agreed by a Client in the future, charge performance-based fees. As noted with respect to CMIs under the AISG Sub-Advisory Agreement, MidCap Financial Capital Management does charge supplemental management fees (generally an agreed basis point per annum on outstanding principal) that are paid if the CMI pays in full prior to any payment default or default giving rise to acceleration. Although not based on a share of capital gains or appreciation, because these fees are paid only when a CMI does not default, they could be viewed as a performance-based fee.

While MidCap Financial Capital Management does not currently charge performance-based fees, or engage in side-by-side management, MidCap Financial Capital Management or its affiliates can hold other pecuniary interests in the CLOs that create similar risks and conflicts. For example, as discussed in greater detail in “Risk Retention Rules” in Item 8, an affiliate of MidCap Financial Capital Management will retain economic interests in the CLOs and the CLO Warehouses that MidCap Financial Capital Management manages, the value of which will depend in part, on the performance of the CLOs and CLO Warehouses. Like performance-based fees, these pecuniary interests can increase the risks for investors in a CLO or CLO Warehouse.

As with accounts where a manager charges performance-based fees, the pecuniary interests that MidCap Financial Capital Management or its affiliates have in a CLO or CLO Warehouse, including the holding of risk retention interests constituting the first loss or “equity” tranche in a CLO, create an incentive for MidCap Financial Capital Management to take increased investment risk with respect to the CLO or CLO Warehouse. Similarly, as is the case with side-by-side management by an investment adviser, to the extent that MidCap Financial Capital Management or its affiliates have differential pecuniary interests in different CLOs or CLO Warehouses, MidCap Financial Capital Management would have an incentive to favor those CLOs and CLO Warehouses in which it or its affiliates have greater pecuniary interests, over CLOs or CLO Warehouses where MidCap Financial Capital Management or its affiliates have lesser pecuniary interests. To mitigate these conflicts, MidCap Financial Capital Management will allocate trades and securities to client accounts on a fair and equitable basis over time, taking into account the client’s investment objectives and strategies as well as other relevant factors including applicable law. Please see Item 11 below.

In addition, in situations where a member of the MidCap Group retains the equity interests in a CLO, the only other persons who will receive a financial return are creditors that hold debt instruments that return either a fixed interest rate spread (typically calculated as a set percentage above LIBOR) or a fixed rate of interest (which creditors could include a member of the MidCap Group). This means that a member of the MidCap Group that retains CLO equity will likely retain any proceeds of capital appreciation of assets held by such CLO once creditors have received their contracted fixed returns and all fees and expenses have been paid. Costs associated with compliance with the Risk Retention Rules can be borne by MidCap Financial Capital Management's Clients or investors in CLOs. Any such arrangement will be set forth in the governing documents or other agreements with the applicable investor in the CLO.

### **Allocation to the MidCap Group**

While ACM serves as the investment manager to various members of the MidCap Group, ACM does not serve as investment adviser to any MidCap Group CLO or CLO Warehouse. Any investment opportunity that is appropriate for more than one ACM client, including any loan or other investment opportunity sourced by a member of the MidCap Group for ACM's review, evaluation and approval for the MidCap Group, will be subject to and governed by the ACM allocation policy. All loans sourced to FinCo and its lending subsidiaries managed by ACM are referred to the appropriate Apollo credit committee for approval. If such loan or investment opportunity is approved, ACM will allocate such loan or investment opportunity among ACM's clients (including the MidCap Group, but not including any MidCap Group CLO or CLO Warehouse) based on the ACM allocation policy. ACM exercises its own judgment and discretion in connection with its allocation decisions. There is no assurance that the MidCap Group will be allocated any portion of any investment opportunity. Moreover, the clients of MidCap Financial Capital Management are not clients of ACM. ACM will have no fiduciary duty to and no obligation to consider the interests of the clients of MidCap Financial Capital Management when making allocation determinations. As described below, unless an opportunity is allocated to the MidCap Group by ACM pursuant to ACM's allocation policy, MidCap Financial Capital Management will not have the ability to make such opportunity available for a CLO or CLO Warehouse or for CMI Clients. As a result, clients of MidCap Financial Capital Management will be impacted, potentially adversely, by the application of the ACM allocation policy and ACM's allocation decisions to the MidCap Group.

### **Allocation of Investment Opportunities to CLO and CLO Warehouse Clients of MidCap Financial Capital Management**

Following the allocation of an investment opportunity to the MidCap Group by ACM, MidCap Financial Capital Management will determine whether the investment opportunity is appropriate for one or more of its clients (including the CLOs and CLO Warehouses) prior to any other MidCap Group entity being offered the opportunity to invest. If MidCap Financial Capital Management determines that no CLO or CLO Warehouse has available capital to invest in an investment opportunity on the projected closing date, but MidCap Financial Capital Management indicates that it has an interest in the investment opportunity via the Director of Portfolio Management of MidCap Financial Capital Management's ("PM") notes, meeting minutes or other measures for its clients that are permitted at such time to invest should capital become available, a MidCap Group entity can hold an investment temporarily and allow MidCap Financial Capital Management to



consider such investment for its clients should capital become available during that holding period, but no MidCap Group entity will have any obligation to hold the investment opportunity during that period or to make the investment opportunity available to MidCap Financial Capital Management at any time. Legal, tax or regulatory requirements can prevent a CLO or CLO Warehouse from being able to participate in all or a portion of an investment opportunity at the time such investment opportunity is initially made available to MidCap Financial Capital Management (a “Restricted Client”).

No member of the MidCap Group is obligated to make investment opportunities available to Restricted Clients or to any other CLO or CLO Warehouse. However, if an opportunity remains available and MidCap Financial Capital Management determines it to be appropriate, a Restricted Client can be offered an opportunity to acquire an investment opportunity from a member of the MidCap Group when the regulatory, tax or legal requirements giving rise to such prohibition no longer apply. In such circumstance, if a member of the MidCap Group offers such investment to MidCap Financial Capital Management, such investment opportunity will generally be allocated by MidCap Financial Capital Management first to clients (including Restricted Clients) to whom the investment opportunity has not previously been offered, but in determining the clients to whom the opportunity is allocated and the sizing of the allocation, the PM will take into consideration such factors as the PM determines to be necessary to treat each of the clients of the firm fairly and equitably over time, including, but not limited to, those factors set forth herein for the allocation procedures (“Allocation Procedures”) of MidCap Financial Capital Management with respect to sizing of orders and the time that has passed since the opportunity was last offered to other clients of the firm.

If MidCap Financial Capital Management determines that such investment opportunity is appropriate for one or more of its clients, it will endeavor to allocate such investment opportunity among its clients (including the CLOs and CLO Warehouses) in a manner that is fair and equitable over time. Generally, determinations as to the mandate, and suitability of an investment opportunity, for a client will be made by the PM for such client subject to the Allocation Procedures. If an investment opportunity falls within the mandate of two or more clients and it is not possible to satisfy in full the investment interest of all such clients, the investment opportunity will be allocated *pro rata* based on order size. The two primary factors that MidCap Financial Capital Management will use to determine order size are each client’s available capital and net asset value. However, many other factors also could influence order size decisions.

In the case of any allocation with respect to one or more clients that is not *pro rata* based on order size, the rationale for such allocation shall be documented and reviewed and approved by the Allocation Committee after recommendation from the PM. In addition, compliance for MidCap Financial Capital Management will review the allocation documentation to ensure that the above process is applied in a manner that is fair and equitable over time.

If any allocation methodology other than *pro rata* allocation is approved, MidCap Financial Capital Management’s Allocation Procedures allow a rotational allocation system and the avoidance of *de minimis* allocations to determine the appropriate allocation. A “*de minimis* allocation” is an allocation that MidCap Financial Capital Management determines is not large enough to affect a client’s portfolio in a meaningful way or is otherwise too small (either in absolute size or relative to the associated transaction costs) to merit consideration for investment

by the client. Additionally, in certain cases splitting an asset in order to allocate on a *pro rata* basis will reduce the liquidity of the asset. In such cases, MidCap Financial Capital Management will allocate using a modified rotational system, whereby priority will be given based upon the relative amounts by which each portfolio is underweight in the asset or similar assets. The Allocation Procedures also permit other allocation methods, if approved by the Allocation Committee, that MidCap Financial Capital Management believes are fair and equitable over time.

To the extent that the CLOs, CLO Warehouses and other clients do not take up any or all of an investment opportunity, the remainder will be available to the MidCap Group. This creates an incentive for MidCap Financial Capital Management to reject or limit allocation to its clients to preserve an opportunity for the MidCap Group when it believes the opportunity is likely to be profitable. MidCap Financial Capital Management seeks to mitigate the potential that MidCap Financial Capital Management will allocate investment opportunities to CLOs and CLO Warehouses in a self-interested manner or favor a CLO or group of CLOs (or CLO Warehouse or group of CLO Warehouses) over another, whether or not MidCap Financial Capital Management benefits from such favoritism through the application of its Allocation Procedures.

As discussed above in “Allocation to the MidCap Group,” the clients for which MidCap Financial Capital Management performs investment advisory services will invest exclusively (other than certain temporary investments) in investment opportunities first made available to the MidCap Group by ACM. ACM has no fiduciary duty to clients of MidCap Financial Capital Management when determining whether to make investment opportunities available to the MidCap Group.

MidCap Financial Capital Management expects that CLOs and CLO Warehouses will enter into principal transactions whereby a CLO or CLO Warehouse will buy an asset from (or sell an asset to) the MidCap Group. In these cases, MidCap Financial Capital Management will provide notice to, and request the informed consent of, the CLO or CLO Warehouse. Where consistent with the CLO’s or CLO Warehouse’s Governing Documents, consent determinations will be made on the CLO or CLO Warehouse’s behalf by an independent director trustee, an independent investment professional, an investor or group of investors or another person or entity designated by the CLO or CLO Warehouse who is independent of the MidCap Group. No principal transaction will be completed prior to receiving the required consent.

There can be no assurance that the application of the foregoing allocation principles will result in the allocation of any specific investment opportunity to any particular client (including any particular CLO or CLO Warehouse) or that a client will participate in all investment opportunities falling within its investment objective.

### **Allocation of Investment Opportunities to CMI Clients of MidCap Financial Capital Management**

Under the AISG Sub-Advisory Agreement, MidCap Financial Capital Management provides only non-discretionary services. As part of such services, MidCap Financial Capital Management will identify CMIs that fall within the investment criteria specified by the AISG CMI Client under the AISG Sub-Advisory Agreement, and AISG will make allocation decisions with respect to such CMIs under AISG’s allocation policy. If, in the future, MidCap Financial Capital Management accepts other clients capable of holding CMIs, MidCap Financial Capital Management will revise

its allocation policies to accommodate allocations of CMI opportunities fairly and equitably, over time, among all such clients.

As described above under *Allocation to the MidCap Group* and *Allocation of Investment Opportunities to CLO and CLO Warehouse Clients of MidCap Financial Capital Management*, ACM allocates opportunities in the form of commercial loans or CMIs to the MidCap Group. Any CLO-eligible opportunity allocated to the MidCap Group that is suitable for the CLOs or CLO Warehouses will be allocated by MidCap Financial Capital Management among its CLO and CLO Warehouse clients in accordance with MidCap Financial Capital Management's allocation policies. Currently, MidCap Financial Capital Management has no CLO or CLO Warehouse clients that are capable of accepting CMIs as investments. Consequently, for CMIs, as part of ACM's own allocation policy, ACM will determine whether a CMI is suitable for clients of AISG under the AISG Investment Management Agreement or suitable for the MidCap Group and refer those CMIs accordingly. CMIs referred by ACM to the MidCap Group will, therefore, not be available to MidCap Financial Capital Management to allocate to its CMI Clients under the AISG Sub-Advisory Agreement. If, in the future, MidCap Financial Capital Management has CLO or CLO Warehouse clients that are capable of accepting CMIs as investments, ACM, the MidCap Group and MidCap Financial Capital Management will adjust these allocation procedures to account for CMI allocations to CLOs and CLO Warehouses. There can be no assurance that the application of the foregoing allocation principles will result in the allocation of any specific investment opportunity to any particular CMI client or that a client will participate in all investment opportunities falling within its investment objective.

## **ITEM 7**

### **Types of Clients**

MidCap Financial Capital Management provides investment advisory services to CLOs and CLO Warehouses and to CMI Clients of AISG under the AISG Sub-Advisory Agreement. Investment in the CLOs and CLO Warehouses is generally only available to qualified institutional buyers or institutional investors that are "accredited investors" or non "U.S. persons" as those terms are defined in the Securities Act of 1933 (the "Securities Act") and "qualified purchasers" or "knowledgeable employees" as defined in the 1940 Act, as applicable or other qualifications relevant to non-U.S. markets. In some cases, the CLOs and CLO Warehouses have a specified minimum investment amount as described in their Governing Documents. MidCap Financial Capital Management anticipates that a broad range of institutional investors, which can include the MidCap Group, meeting the criteria set forth above, will invest in these CLOs or CLO Warehouses.

## **ITEM 8**

### **Methods of Analysis, Investment Strategies and Risk of Loss**

The following is a summary of the investment strategies and methods of analysis employed by MidCap Financial Capital Management and certain related risks. It is not possible in the context of this Brochure to describe all investment strategies and risks; as a result, this summary should not in any way be viewed as limiting MidCap Financial Capital Management's investment activities. MidCap Financial Capital Management could offer advisory services, provide advice with respect to investment strategies and make investments that are not described in this Brochure,

that MidCap Financial Capital Management considers appropriate, subject to each CLO's or CLO Warehouse's or CMI Client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each CLO's or CLO Warehouse's Governing Documents, to the extent deemed relevant or material to the CLO's investors, or in the AISG Sub-Advisory Agreement. All investments carry a risk of loss that clients should be prepared to bear and there can be no assurance that the investment objectives of any CLO or CLO Warehouse or CMI Client will be achieved.

### **Methods of Analysis and Investment Strategy**

MidCap Financial Capital Management's investment strategy focuses primarily on leveraged credit, including senior secured loans, real estate credit, including senior secured mortgage loans, and loans to life sciences and technology companies underwritten on the basis of enterprise value and/or recurring revenue.

MidCap Financial Capital Management performs such research (and has research performed by third party service providers and MidCap Financial Services and MidCap Ireland) into each prospective investment and disposition as it deems reasonably necessary. Such research often includes, among other things, a review of the company's financial statements, comparisons with similar public and private companies, and analyzing relevant industry data (such as information on customers and suppliers) and a review of real property appraisals, seismic reports and other engineering reports. In conducting such research, MidCap Financial Capital Management or its service providers providing research services consult a variety of sources of information such as: inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, company press releases, financial newspapers and magazines and any other material MidCap Financial Capital Management deems relevant. For individual loans, MidCap Financial Capital Management will likely research credit history and for loan portfolios, MidCap Financial Capital Management could also research, among other things, payment and loss history, contractual terms, and interest income. MidCap Financial Capital Management sometimes engages the services of experts and consultants to supplement their research, including expert networks.

Participation in CLOs or CLO Warehouses or purchase of CMIs is only suitable for investors who have knowledge and expertise in financial and business matters and are capable of evaluating the merits and risks of an investment in a CLO or CLO Warehouse or CMI. The investments in CLOs or CLO Warehouses and CMIs are highly speculative and involve the risk of total loss of an investor's investment.

Investors should be aware that a CLO's investment mandates can serve to limit CLOs or CLO Warehouses to certain types of investments, which often will not be diversified. The CLOs or CLO Warehouses invest (other than temporary investments) nearly all of their assets solely in loans that were (i) originated by the MidCap Group, (ii) sourced by ACM or (iii) made available for purchase to the MidCap Group or a CLO or CLO Warehouse by a third party or related party (including clients of ACM) and are generally not intended to provide a complete investment program. MidCap Financial Capital Management expects that the assets it manages do not represent all of the investor's assets. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

## **Material Risks Relating to Methods of Investment Analysis**

MidCap Financial Capital Management seeks to conduct reasonable and appropriate due diligence based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to identify possible risks associated with that investment. When conducting due diligence and making an assessment regarding an investment, MidCap Financial Capital Management can rely on any relevant information it reasonably deems appropriate, including information received from its affiliates and service providers. The due diligence process can be subjective (such as with respect to newly organized companies, newly constructed or renovated real estate assets, or newly developed or in-development intangible assets or business lines of the borrower, in each case for which only limited information is available). Accordingly, MidCap Financial Capital Management cannot be certain that its due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud) that would be necessary or helpful in evaluating such investment opportunity. Also, MidCap Financial Capital Management cannot be certain that its due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections used when evaluating that investment. Diligence activities for MidCap are performed by personnel that are retained directly by MidCap Financial Capital Management or through a staffing agreement that allows MidCap Financial Capital Management access to MidCap Financial Services' and MidCap Ireland's personnel.

The risks of MidCap Financial Capital Management's investment analysis methods also include the unpredictability of general economic, financial and issuer-specific conditions.

## **Material Risks Relating to Investment Strategies**

Investing in securities involves risk of loss that an investor should be prepared to bear. The securities in which MidCap Financial Capital Management's clients invest are subject to credit, liquidity, interest rate and exchange rate risks, general economic conditions, operational risks, structural risks, the condition of financial markets, political events, developments or trends in any particular industry, changes in prevailing interest rates and periods of adverse performance, among others.

Interests in the CLOs managed by MidCap Financial Capital Management will be offered to investors pursuant to disclosure documents that contain detailed information about the risks of investing in the CLOs, including the risks relating to the securities issued to investors by the CLOs and those relating to the underlying assets held by the CLOs. With respect to any particular CLO managed by MidCap Financial Capital Management, the summary of investment risks in this Brochure is qualified in its entirety by the disclosure document for the particular CLO. Investors should carefully review the offering documents for each CLO before investing in the CLO or making an investment decision to buy, sell or hold the securities issued by the CLO.

## **Risk of Loss**

The following risk factors are those generally applicable to the CLOs and CMIs. The CLOs principally invest in debt instruments, including senior secured debt, first lien and second lien debt,

subordinated debt, mortgage and mortgage securities, payment in kind loans, high-yield debt, senior debt, commercial loans, trade and credit derivatives, structured securities and bank loans and the material risks involved in investing in these types of securities are discussed below. However, additional risk factors, including risk factors that are specific to a particular CLO's investment strategy, are described in each CLO's Governing Documents.

**No Assurance of Investment Returns.** MidCap Financial Capital Management cannot give clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of companies and transactions that fall within such client's individual investment objectives.

**Substantial Fees and Expenses.** CLOs typically pay management fees, offering and organizational expenses and operating expenses as set forth in their Governing Documents, whether or not they make any profits. While it is difficult to predict the future expenses of CLOs and CLO Warehouses, such expenses should be expected to be substantial. Please see Item 5, above, for additional information on fees and expenses.

**Business and Market Risks.** The investments made by the CLOs and CMI Clients are expected to involve a high degree of business and financial risk, which could result in substantial loss to a CLO or CMI Client. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies, or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks on security operations. The possibility of partial or total loss of capital will exist.

**CLO Risks Generally.** There are numerous risks associated with an investment in a CLO, including that interests in a CLO have limited liquidity and there are restrictions on their transfer; the CLO might have limited assets to make payment on the securities when due; certain securities issued by the CLO are subject to greater risk of nonpayment than more senior tranches; and the holders of securities often have limited rights to proceed against defaulting borrowers. Holders of interests in a CLO are also exposed to the risks of the underlying assets in which the CLO invests, which will consist primarily of senior secured loans, with a potential secondary focus on other types of leveraged or real estate mortgage credit, such as high yield debt securities. These risks are described in more detail below. Investors should carefully review a CLO's Governing Documents before investing.

**Credit Risk.** All of the debt securities and loans (together, the "debt obligations") in which the CLOs or CMI Clients will invest are exposed to credit risk, which is the possibility that the issuer of a debt security will default on its obligation to pay interest and/or principal which could cause a CLO or CMI Client to lose money. Corporate debt obligations rated lower than BBB- are considered to have significant credit risk. A significant portion of the assets of the CLOs and the CMIs managed by MidCap Financial Capital Management will have ratings (or credit estimates) at or below this level or will be unrated. Debt obligations with lower credit ratings generally pay a higher level of income to debt holders but carry a greater risk of default.

**Interest Rate Risk.** Fixed rate debt obligations fluctuate in value as interest rates change. The general rule is that if the interest rate rises, the market price of fixed income securities will usually decrease. The reverse is also true if interest rates fall, the market prices of fixed income securities will generally increase. A debt security with a longer maturity (or a fund holding fixed income securities with a longer average maturity) will typically be more sensitive to changes in interest rates and it will fluctuate more in price than a shorter term maturity. Floating rate instruments, such as the majority of the senior secured loans in which the CLOs will invest, see increases in the total payment obligations of the borrowers thereunder during periods of rising interest rates, which could lead to an increase in default rates on such investments.

**LIBOR Risk.** The interest payable with respect to loans held in a CLO's or CMI Client's portfolio and indebtedness incurred by a CLO generally is expected to be based on LIBOR (although it could be based on an alternative index under certain circumstances) and such interest rate is currently expected to fluctuate based on changes in LIBOR. On July 27, 2017, the head of the UK Financial Conduct Authority ("FCA") announced its intention to begin to cease sustaining the London Inter-bank Offered Rate ("LIBOR") at the end of 2021. The FCA's indicated its intent that, after 2021, it will no longer be necessary for the FCA to persuade or compel banks to submit to LIBOR due to the development of alternative benchmark rates, which the FCA suggested should be based on transactions and not on reference rates that do not have active underlying markets to support them. As of the date of this brochure, no specific alternative rates have been generally agreed upon in the loan market or the CLO market, though the Alternative Reference Rates Committee has issued suggestions.

If LIBOR in its current form does not survive, it could cause a disruption in the credit markets generally. Such a disruption could also negatively impact the market value and/or transferability of the first-loss interests and other interests issued by the CLOs. Furthermore, disruptions related to loans and/or other CLOs in the marketplace could have a material adverse effect on MidCap Financial Capital Management's ability to enter into loans and/or execute CLOs in the future and could have a material adverse effect on the investment returns of the CLOs. Further, if LIBOR does not survive, the mismatch on the interest rates payable by the CLOs on the securities it issues and the interest rates payable on the underlying loans held by such CLO could negatively impact investment performance.

Actions by regulatory authorities, financial institutions or others to phase out, modify or eliminate LIBOR or to propose or require transition to a particular alternative benchmark rate in a certain manner upon the occurrence of one or more future events could cause one or more of the following, among other things, to occur: (i) an increase in the volatility of LIBOR prior to the consummation of any such change, (ii) an increase in the portion of loans and temporary investments that calculate interest based on a benchmark rate other than LIBOR or bear interest at a fixed rate (which could result in decreased interest payable with respect to one or more loans), (iii) increased volatility with respect to pricing and liquidity of loans, or (iv) a further mismatch between the interest rates payable with respect to loans held by CLOs and the interest rate payable on notes issued by the CLOs. If and/or when LIBOR is phased out or eliminated as a benchmark rate, it is uncertain whether broad replacement conventions in the leveraged loan and debt markets will develop or be required by relevant regulators and, if conventions develop, what those conventions will be, whether they will be similar to each other and whether they will create adverse consequences for CLOs or CMI investors or borrowers. If no such conventions develop or if changes in the

benchmark are dependent upon mutual consent thereto by the parties to individual agreements, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets or timing with respect to such amendments will have on the price or liquidity of loans owned or indebtedness incurred by clients. While a CLO or CMI investor could enter into an amendment with debt issuers to calculate interest based on an alternative reference rate instead of LIBOR, be permitted to designate an alternative reference rate with respect thereto or agree for a future hardwired amendment to provide for interest based on an alternative reference rate, there can be no assurance that any such amendment or designation (a) will occur, (b) will effectively mitigate interest rate risks (including any mismatch between the methodology and/or timing for determining the alternative reference rates), (c) will occur prior to any date on which CLOs or CMI investors suffer adverse consequences from the phase out, elimination or modification or potential phase out, elimination or modification of LIBOR or (d) will not have a material adverse effect on CLOs or the CMI investors.

**Lack of Liquidity of Investments.** CLOs' portfolio investments will consist primarily of middle-market debt investments, including, but not limited to, senior secured first lien and second lien loans, senior secured mortgage loans, debtor-in-possession financings, delayed drawdown loans and revolving bank loans. Loans held by CLOs and CMIs are not generally traded on organized exchange markets but rather would typically be traded by banks and other institutional investors engaged in loan syndications. The liquidity of portfolio investments and CMIs will therefore depend on the liquidity of this market. Trading in loans is subject to delays as transfers can require extensive and customized documentation, the payment of significant fees and the consent of the agent bank or underlying obligor. In addition, certain investments could be subject to legal or contractual restrictions or requirements that limit the CLO's ability to transfer them or sell them for cash. The resulting illiquidity of these investments could make it more difficult for a CLO or CMI investor to sell such investments if the need arises. If a CLO or CMI investor needs to sell all or a portion of its portfolio over a short period of time, it would likely realize significantly less value than the value at which it had previously recorded those investments or could realize if a more orderly sale were possible. There can be no assurance that CLOs will be able to generate returns for their investors or that the returns will be commensurate with the risks of investing in the types of instruments described herein. As noted above, there is a possibility of partial or total loss of capital as a result of such constraints.

**Allocation of Investments.** MidCap Financial Capital Management has policies and procedures by which it determines the allocation of investment opportunities among appropriate clients, as further described in Item 6 "Allocation of Investment Opportunities to Clients of MidCap Financial Capital Management." As a result of MidCap Financial Capital Management's allocation policies there is a possibility that a client will not receive its desired allocation of a particular investment. It is also possible that due to these policies a client will not receive any portion of a particular investment in which it is eligible to invest and from which it could benefit.

**Risks of Investing in Middle-Market Loans.** Certain CLOs will typically invest, primarily in senior secured loans made to below-investment-grade, privately-owned, middle market companies typically sponsored by private equity or venture capital firms. Below-investment-grade companies generally refers to loans made to obligors who are rated below BBB/Baa by one or more of the major rating agencies (or who receive below-investment-grade credit estimate therefrom) or, if no such rating or estimate has been obtained were viewed as presenting a comparable level of risk.



The proceeds of these loans are used by such companies principally for acquisitions, recapitalizations and refinancings or other general corporate purposes. Investing in middle market companies involves significant risks. Compared to larger, publicly-traded companies and investment grade rated loan obligors, middle market companies generally have limited access to capital, higher funding costs, are often in a weaker financial position, need more capital to expand or compete and are less able to obtain financing from public capital markets or from traditional funding sources such as commercial banks. These companies can also be more vulnerable to variations in results of operations, changes impacting their industries and changes in general market conditions. They can also face intense competition, including from companies with greater financial, technical, managerial or marketing resources. These challenges can make it difficult for the underlying loan obligors to make scheduled payments of interest or principal on their loans. Accordingly, loans made to these types of loan obligors often entail higher risks than loans made to larger, publicly traded companies. As a result, there is no guarantee a CLO will realize its rate of return objectives and a CLO could suffer losses.

The CLOs will invest primarily in senior, secured cash flow loans underwritten on the basis of the cash flow, profitability, enterprise value and/or monthly recurring revenue of the related loan obligor, with the value of any tangible assets securing the loans as secondary protection. Certain CLOs can also invest in first lien last out, second lien or unitranche loans, real estate loans or loans to obligors in the life sciences or technology sector. Cash flow loans often have higher leverage ratios than those that would be available from bank lenders. In the case of senior cash flow loans, a lien is generally taken on substantially all of the loan obligor's assets, but the value of those assets is typically substantially less than the amount advanced to the loan obligor under the related loan. If a cash flow loan obligor defaults on its loan, the primary recourse for lenders under such loan to recover some or all of the principal of such loan would be to force the sale of all or part of the company as a going concern and/or restructure the loan and obtain restructured debt and/or equity ownership in the loan obligor as a means to recover some or all of the principal on the loan. Risks inherent in cash flow lending include, among other things:

- reduced use of or demand for the loan obligor's products or services reducing cash flow to service the loan and the value of the loan obligor as a going concern,
- inability of the loan obligor to manage working capital which could result in lower cash flow,
- inaccurate or fraudulent reporting of the loan obligor's financial position or financial statements,
- economic downturns, political events, regulatory changes, litigation or acts of terrorism that affect the loan obligor's business, financial condition and prospects,
- the loan obligor's poor management of its business, and
- if a loan obligor uses the proceeds of a cash flow loan to make an acquisition, poorly conceived or poorly executed acquisitions can cause a decline in the operations of the loan obligor's business, cash flow and value of the business as a going concern.

In addition, if a middle-market loan obligor is controlled by a private equity or venture capital sponsor who experiences financial difficulty or who has substantially reduced or eliminated its net

investment in the loan obligor, such sponsor might not be willing or able to provide the same level of managerial, operating or financial support to such middle-market loan obligor.

Middle market loans involve a high degree of financial risk. Clients investing, directly or indirectly, in such loans might not meet their rate of return objectives and could suffer a substantial loss if such loans are not repaid by the related loan obligors.

**Refinancing Risk.** Certain CLOs will typically invest primarily in balloon loans and bullet loans. These loans present refinancing risk. Balloon and bullet loans involve a greater degree of risk than other types of transactions because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the debt obligation, requiring the obligor to make a large final payment upon the maturity of the debt obligation. The ability of such obligor to make this final payment upon the maturity of the debt obligation typically depends upon its ability either to refinance the debt obligation prior to maturity or to generate sufficient cash flow to repay the debt obligation at maturity. The ability of any obligor to accomplish any of these goals will be affected by many factors, including the availability of financing at acceptable rates to such obligor, the financial condition of such obligor, the marketability of the collateral (if any) securing such debt obligation, the operating history of the related business, tax laws and the prevailing general economic conditions. Consequently, such obligor might not have the ability to repay the debt obligation at maturity, and the Issuer could lose all or most of the principal of the debt obligation. Given their relative size and limited resources and access to capital, some obligors could have difficulty in repaying or refinancing their balloon and bullet debt obligation on a timely basis or at all.

**Risks Related to Syndicated Loans.** In some cases, CLOs will acquire loans in a syndicated loan facility to which more than one lender is a party. These loan facilities are administered by a designated lender or other agent acting as the loan administrator on behalf of the lenders and it or another service provider could receive payments from the loan obligor and distribute them to the lenders. A member of the MidCap Group sometimes acts as loan administrator or loan agent for certain loans and in these cases would, as noted in Item 5 “Fees and Compensation,” earn a fee for doing so. If a member of the MidCap Group does not act as loan administrator, it generally will not have direct access to the loan obligor and, as a result, often does not receive the same financial or operational information that it is in a position to receive when it does act as loan administrator. The terms and conditions of these loan facilities could be amended, modified or waived only by the agreement of the lenders or some percentage thereof or by the loan administrator, as required under the underlying loan documents, and certain rights and remedies under such a loan facility can be initiated, exercised or directed only by a specified percentage of the lenders. Generally, any such agreement or direction must include a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote, consent or direction of the lenders. Each CLO typically will have a minority interest in such loan facilities. Consequently, the terms and conditions of such a loan facility could be modified, amended or waived in a manner contrary to the preferences of the MidCap Group and the CLOs, as relevant, if a sufficient number of the other lenders concurred with such modification, amendment or waiver. Similarly, the MidCap Group and the CLOs, as relevant, would not be able to initiate, exercise or direct a right or remedy otherwise available to the lenders if a sufficient number of the other lenders choose to take a different approach. Further, there could also be a risk where the MidCap Group agrees to terms and conditions of a loan facility to be modified, amended or waived in a manner

contrary to the preferences of the CLO. There can be no assurance that any loan acquired by a CLO under such a loan facility will maintain the terms and conditions applicable thereto when the client initially acquired such loan or that MidCap Financial Capital Management on behalf of its clients will be able to initiate, exercise or direct rights or remedies relating to such loan facility.

**Investments in Subordinated Debt.** Certain CLO investments consist of loans or securities, or interests in pools of loans or securities, that are or could become subordinated in right of payment and ranked junior to other securities issued by, or loans made to, obligors. If an obligor experiences financial difficulty, holders of its more senior securities will be entitled to payments in priority to CLOs. Some of CLOs' asset-backed investments (including mortgage loans) also can have structural features that divert payments of interest and/or principal to more senior classes of loans or securities backed by the same assets when loss rates or delinquency exceeds certain levels. This can interrupt the income CLOs receive from such investments, which could lead to CLOs having less income to distribute to their investors. If the obligors are highly leveraged or CLOs invest in securities that are unrated or rated below-investment-grade, such investments are subject to additional risks, including an increased risk of default during periods of economic downturn, the possibility that the obligor will not be able to meet its debt payments, and limited secondary market support, among other risks.

**Investments in Loans to Life Sciences and Technology Obligor.** Certain CLOs will invest substantially all of their assets in loans to obligors that are life sciences and/or technology companies. These loans are generally underwritten on the basis of the enterprise value of the related obligors, which will often depend significantly on the value of certain intellectual property held by such obligors. However, these loans are not always secured by the intellectual property of such obligor. Often the documents for these loans require that obligors in respect of such loan will not sell or otherwise grant any liens on the relevant intellectual property (each such requirement, a "Negative Pledge"). While an obligor's Negative Pledge typically provides for the secured party to receive the economic benefits of such intellectual property (*e.g.*, a right to receive proceeds from the sale of such intellectual property), the enforcement of such Negative Pledge (and the subsequent realization of any proceeds of sales or other dispositions of such intellectual property) is largely untested in the United States court system and might not provide the same benefits as a lien, especially in the context of a bankruptcy proceeding where the related Obligor is a debtor. Also, other creditors could be granted a lien in violation of a Negative Pledge or be the beneficiaries of an involuntary lien such as a judgment or tax lien. As a result, if the CLOs are required to enforce a Negative Pledge, anticipated collections in respect of the related Loan are likely to be compromised.

The value of tangible assets (if any) securing such loans is typically substantially less than the amount of money advanced to obligors under such loans. Because life sciences and technology loans are generally under secured if such loan becomes non-performing, the primary recourse to recover principal on such loan would be to seek enforcement of the related obligor's Negative Pledge and attempt to force the sale of such Obligor as a going concern or of such obligor's assets (if the obligor granted a lien on substantially all of the assets of such obligor). Some life sciences and technology loans are structured with a term loan funded by the CLO and a related revolving loan funded by a MidCap Group entity. In those structures, the term loan collateral could be the enterprise value and Negative Pledge, and the revolving loan collateral could be accounts receivable and cash. Such transactions have a lender intercreditor agreement which would address

the distribution of collateral value in a workout condition. Depending upon the respective values of the collateral pools for the term and revolving loans in a workout situation, conflicts could arise between the MidCap Group and MidCap Financial Capital Management's CLO and CLO Warehouse clients. In such cases, MidCap Financial Capital Management will seek to resolve such conflicts in a manner that is fair and equitable to its clients.

When the MidCap Group acquires or originates loans to obligors that are life sciences or technology companies, it sometimes also acquires warrants options, royalty streams or other equity-related securities as well. The expectation of the MidCap Group is to ultimately dispose of these equity interests and realize gains upon their sale. However, CLOs and CLO Warehouses are not always permitted or able to acquire or invest in warrants options, royalty streams or other equity-related securities. In these scenarios, the one or more members of the MidCap Group would retain such warrants options, royalty streams or equity-related securities and sell only the related loan to the CLO or CLO warehouse.

Accordingly, the CLOs or CLO Warehouse would not be able to realize gains from such warrants, options, royalty streams or equity-related securities. In these cases, our practice is that these loans are sold to the CLO at a price that reflects the value of the loan after deducting the value of such warrants, options, royalty streams or equity-related securities.

### **Risks related to Technology Obligors**

Technology obligors can have narrow product lines and small market shares, which tend to render them more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. The revenues, income (or losses), and valuations of technology obligors can fluctuate suddenly and dramatically. Cyclical economic downturns will occur from time to time and will not always be temporary in nature. In addition, technology-related industries are generally characterized by abrupt business cycles and intense competition. Overcapacity in technology-related industries, together with cyclical economic downturns, could result in substantial decreases in the financial performance of technology obligors and their ability to make principal and interest payments under the Loans. Consequently, the obligors might face considerably more risk of loss than do companies in other industry sectors.

In addition, markets in which technology obligors operate are generally characterized by abrupt business cycles and intense competition. Because of rapid technological change, the average selling prices of products and some services provided by technology obligors have historically decreased over their productive lives. As a result, the average selling prices of products and services offered by technology obligors often decreases over time, which could adversely affect their operating results, their ability to meet obligations under their debt securities and the value of their equity securities. As a result, the operations and financial condition of a portfolio company could be materially and adversely affected and in turn affect the ability of such technology obligors to repay their respective loan.

**Portfolio Investment Ratings.** Investments in the debt of companies include commercial loans, high-yield corporate or other debt obligations of both U.S. and non-U.S. obligors rated below-investment-grade and other investment instruments as described in Item 4 of this Brochure, which have greater credit and liquidity risk than more highly rated obligations.

Downgrades and negative rating actions could occur with respect to the investments and, in such case, there is no requirement to sell any such investment. Investments with lower ratings will have greater credit, insolvency and liquidity risk than more highly rated obligations and, therefore, a greater risk of loss. In addition to credit and liquidity risk, lower-rated obligations have greater volatility than more highly rated obligations. Future periods of uncertainty in the United States economy are likely to increase volatility and default rates.

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

- these companies often have limited financial resources and limited access to additional financing, which increases the risk of their defaulting on their obligations, leaving creditors, such as CLOs, dependent on any guarantees or collateral obtained;
- these companies often have shorter operating histories, narrower product lines, and smaller market shares than larger businesses, which renders them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- there often is not as much information publicly available about these companies as would be available for public companies and such information often is not of the same quality; and
- these companies are more likely to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations.

**Risks Related to Mortgage Loans.** Repayment of a mortgage loan depends on the performance of the related mortgaged property, of which we make no assurance. Mortgage loans secured by commercial or multifamily properties often have a high likelihood of delinquency and foreclosure and a high likelihood of loss in the event of delinquency or foreclosure. The chances of delinquency are often dependent on the underwriting of the loan or market conditions. Commercial lending typically involves large loans to single borrowers or groups of related borrowers which can increase the risk of loss. In many cases, the borrowers under the mortgage assets will be entities that are restricted from owning property other than the related mortgaged property. In some cases, the borrowers under the mortgage assets will be entities that operate in regulated healthcare industries subject to third party (*e.g.*, Medicaid, Medicare or an insurance company) reimbursement risk. In most cases, the borrowers will not have any significant assets other than the property and related leases, which will be pledged to the lender. Therefore, payments on the mortgage assets and, in turn, payments of principal and interest on the securities in CLOs that own mortgage assets, will depend on rental payments by lessees and other revenues from the operation of the property, rather than upon the existence of independent income or assets of the borrower. If the net operating income of the mortgaged property is reduced (for example, if rental or occupancy rates decline, healthcare reimbursement rates decline or real estate tax rates or other operating expenses increase), the borrower's ability to repay its Mortgage Asset could be impaired.

Commercial real estate can be affected significantly by the supply and demand in the market for the type of property securing the loan and, therefore, can be negatively impacted by adverse economic conditions. Market value fluctuations can result from economic events or governmental regulations outside the control of the borrower or lender that impact the cash flow of the property. For example, some laws, such as the Americans with Disabilities Act, could require modifications to properties.

Furthermore, the value of any mortgaged property will be subject to risks generally incident to interests in real property, including:

- changes in general or local economic conditions and/or specific industry segments;
- declines in real estate values;
- declines in rental or occupancy rates;
- increases in interest rates, real estate tax rates and other operating expenses;
- changes in governmental rules, regulations and fiscal policies, including environmental legislation;
- natural disasters such as earthquakes, hurricanes, floods, eruptions or other acts of God;
- civil disturbances such as riots; and
- other circumstances, conditions or events beyond the control of the Master Servicer or the Special Servicer.

Additional risks can arise based on the type and use of a particular mortgaged property.

**General Market Risks.** Recent legal and regulatory changes, and additional legal and regulatory changes that could occur during a CLO's term, could adversely impact the CLO. The regulation of the U.S. and non-U.S. securities and futures markets and investment funds has undergone substantial change in recent years and such change can be expected to continue. The effect of such new regulations on CLOs, while impossible to predict, could be substantial and adverse and could, directly or indirectly, subject CLOs to increased capital requirements, higher fees and expenses, and limits on the types of investors they can solicit. The full effect of recent and future legislation cannot yet be known.

Laws and regulations, particularly those involving taxation, investment and trade, as applicable to the activities of a CLO, can change quickly and unpredictably, and can at any time be amended, modified, repealed or replaced in a manner adverse to the CLO's interests. It is impossible to predict what, if any, changes in regulation applicable to CLOs or MidCap Financial Capital Management, the markets in which they trade and invest or the counterparties with which they do business will be instituted in the future. These could result in CLOs and/or MidCap Financial Capital Management being subjected to unduly burdensome and restrictive regulation.

In recent years, due to events in the financial markets, the financial services industry generally, and the activities of private funds and their managers in particular, brought intense and increasing regulatory scrutiny in the United States and in other jurisdictions. Such scrutiny and

accompanying regulatory changes could increase the exposure of CLOs to potential liabilities and to legal, compliance and other related costs and otherwise have an adverse effect on private funds generally, and in particular, on the ability of CLOs to achieve their investment objectives. The private fund industry could continue to be adversely affected by the recent developments in the financial markets in the U.S. and abroad going forward, and any future legal, regulatory, or governmental action and developments in such financial markets and the broader global economy could have an adverse effect on the business of CLOs, operations and performance.

The entire market, or particular instruments traded on a market, could decline even if earnings or other factors improve inasmuch as the prices of such instruments are subject to numerous economic, political, psychological and other factors that have little or no correlation to the performance of a particular company. MidCap Financial Capital Management is permitted, but not required to hedge against market movements or the credit or other risks of any particular portfolio investment, whether by means of a derivative or other financial product or instrument. To the extent that CLOs engage in certain hedging transactions, there can be no assurances that such hedging will insulate such CLO from risks, and hedging techniques, whether via a derivative or other product or instrument, give rise to certain costs and additional risks, including a risk of the total loss of any amounts invested in hedging instruments.

**Regulation and Enforcement; Litigation.** CLOs are subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing capital markets, including tax laws and regulations, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting portfolio investments, reduce the profitability of investments, and increase the costs of operating the CLOs. Additional regulation could also increase the risk of third-party litigation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), among other things, granted regulatory authorities such as the Commodity Futures Trading Commission (the “CFTC”), the SEC and the Consumer Financial Protection Bureau (the “CFPB”) broad rulemaking and enforcement authority to implement and oversee various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives and consumer finance markets. These expanded powers have resulted in rules that could adversely affect CLOs or investments made by CLOs.

CLOs are also subject to state and other federal regulations, borrower disclosure requirements, limits on fees and interest rates on some loans, state lender licensing requirements, and other regulatory requirements in the conduct of its business as an originator, lender, acquirer, or servicer of consumer and commercial loans. In circumstances where a state license is required, any delays MidCap Financial Capital Management or the CLO experiences in obtaining licenses due to the application requirements and processes involved could adversely impact the CLO and its investors. CLOs could also be subject to consumer disclosures and substantive requirements on consumer loan terms and other federal regulatory requirements applicable to consumer lending that are administered by the CFPB. These state and federal regulatory programs are designed to protect borrowers, not to protect investors in the CLO. Compliance with these regulatory requirements imposes staffing, legal, compliance and other costs and administrative burdens which would increase risk and reduce returns.

State and federal regulators and other governmental entities have authority to bring administrative enforcement actions or litigation to enforce compliance with applicable lending or consumer protection laws, with remedies that can include fines and monetary penalties, restitution to borrowers, injunctions to conform to law, or limitation or revocation of licenses and other remedies and penalties. In addition, lenders and servicers can become subject to litigation brought by or on behalf of borrowers for violations related to unfair or deceptive or, in the case of consumer borrowers, abusive practices. Failure to conform to applicable regulatory and legal requirements could be costly and could result in state or federal legal action seeking penalties or consumer redress or in a state or the CFPB prohibiting CLOs from operating certain businesses within their jurisdictions.

CLOs can also be indirectly affected by regulation of banks and other financial services firms with which the CLOs do business, from which the CLOs obtain financing or other services, or to which the CLOs seek to sell interests in loan securitizations. The regulatory regimes applicable to financial services firms with which CLOs do business could increase borrowing costs or limit the terms or availability of credit, affect the terms or pricing of loan securitizations, affect the collectability of loans, or have other indirect effects which could harm the CLO.

Title VII of the Dodd-Frank Act provided for a sweeping overhaul of the regulation of privately negotiated derivatives. The CFTC has been granted broad regulatory authority over “swaps,” which term has been defined in the Dodd-Frank Act and related CFTC rules to include derivatives. Title VII could affect CLOs’ ability to enter into derivative transactions, increase the costs in entering into such transactions, and/or result in CLOs entering into such transactions on less favorable terms than prior to effectiveness of the Dodd-Frank Act. For example, CLOs might be required to clear certain interest rate hedging transactions by submitting them to a derivatives clearing organization. In addition, to the extent CLOs are required to clear any such transactions, they will be required to, among other things, post margin in connection with such transactions. The occurrence of any of the foregoing events would be likely to have an adverse effect on CLOs business and its financial returns.

Section 619 of the Dodd-Frank Act, more commonly known as the Volcker Rule, has been implemented by final interagency rules adopted in December 2013. Among other things, the Volcker Rule imposes new requirements on asset-backed securities and pooled investments in loans and other assets that U.S. banks and their affiliates are permitted to own. The Volcker Rule has caused banks and their affiliates to divest certain existing holdings and limit certain new investments in non-conforming securities, thereby limiting, to some extent, the marketability of asset-backed and pooled investments that do not meet the new requirements established by the Volcker Rule. This could result in reduced prices or illiquidity of portfolio assets which could harm the CLO.

These new and expanded regulations and regulatory powers could serve to reduce returns to investors in CLOs that hold consumer and commercial loan portfolios as a result of, among other things, additional compliance and administrative expenses, failure to obtain full repayment on portfolio loans, administrative enforcement actions and fines by state or federal regulators and civil litigation against holders of loans, and a reduction in the availability of appropriate loans for investment. Similarly, violations of law or regulation by the originators or servicers of consumer and commercial loans held directly or indirectly by investors could result in the originators or



servicers being subject to administrative fines or penalties, borrower restitution obligations, or other consequences that could negatively impact investors in such loans.

In addition, certain CLOs invest in distressed investments and, as a result, there is a possibility that MidCap Financial Capital Management will participate in restructuring activities. It is possible that certain CLOs will become involved in litigation respecting creditor disputes and similar issues among classes of claimants. Litigation entails expense and the possibility of counterclaims against such CLOs including their general partners and MidCap Financial Capital Management, and ultimately, judgments might be rendered against a CLO for which such CLO does not carry insurance.

**Tax Risks.** Tax changes have occurred, and are likely to occur in the future, that could adversely affect CLOs and CMI's. For example, tax reforms that passed in 2017 imposed additional limitations on the deductibility of interest deductions for debt, which could lead to reduced appetite for financing by privately held middle market companies in which MidCap Financial Capital Management typically makes investments for clients.

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

**Risk Retention Information.** In accordance with the risk retention requirements promulgated under Regulation (EU) 2017/2402 (the "EU Securitization Regulation"), and together with any supplementary regulatory technical standards, implementing technical standards and any guidance adopted in relation thereto by the European supervisory authorities, each as in force from time to time, the "EU Securitization Laws"), MidCap Financial Capital Management could decide to retain interests in the CLOs and CLO Warehouses that it manages in order for such CLOs and CLO Warehouses to comply with the EU Securitization Laws where securities issued in a securitization transaction are sold to certain types of EU investors such as credit institutions and investment firms (including consolidated affiliates thereof, wherever located), authorized alternative investment fund managers that manage and/or market alternative investment funds in the EU, insurance and reinsurance undertakings, UCITS regulated pursuant to EU Directive 2009/65/EC and the management companies thereof, and institutions for occupational retirement provision (with certain exceptions), each as set out in the EU Securitisation Regulation. These securities can be held in a number of prescribed forms, most typically through (i) a "vertical slice" equal to a 5% pro-rata percentage of the face value of each tranche or (ii) a "horizontal slice" equal to 5% of the fair value of all of the securities issued via the first loss or "equity" tranche. MidCap Financial Capital Management can hold CLO securities in addition to the requisite risk retention amount. There has been no explicit guidance regarding whether and how entities can be structured for this purpose and therefore the regulatory environment in which any such structure intends to operate is highly uncertain.

There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by MidCap Financial Capital Asset Management and its affiliates, and the manner in which they expect to hold retention interests, will satisfy the EU Securitization Laws. The EU Securitization Laws are subject to changes, clarifications and interpretations by governmental authorities that could have an adverse effect on MidCap Financial Capital Management and its affiliates.

Section 941 of the Dodd-Frank Act (the “U.S. Risk Retention Rules”) requires a “sponsor” of a securitization transaction (or its “majority-owned affiliate”) to retain at least 5% of the economic interest in the credit risk of the securitized assets. However, following a decision of the U.S. Court of Appeals for the District of Columbia issued on February 9, 2018 (the “DC Circuit Ruling”), collateral managers of “open-market CLOs” (described in the ruling as CLOs where assets are acquired from “arm’s-length negotiations and trading on an open market”) are no longer required to retain an interest in such “open-market CLOs” under the U.S. Risk Retention Rules. MidCap Financial Capital Management does not believe that any of the CLOs it currently manages are “open-market CLOs” due to the fact that each such CLO consists of underlying assets that are primarily or exclusively originated by a member of the MidCap Group. As a result, MidCap Financial Capital Management expects that the U.S. Risk Retention Rules will continue to apply to the CLOs it currently manages and any similarly collateralized CLOs that it will manage in the future.

A member of the MidCap Group and/or MidCap Financial Capital Management could from time to time enter into secured financing arrangements (any such arrangement, a “Retention Financing”) to finance its acquisition of the Retention Interest. At this time, there is uncertainty concerning whether certain aspects of a Retention Financing would comply with the Risk Retention Rules. Any Retention Financing would be required to be full recourse to the entity holding the Retention Interest. No member of the MidCap Group or MidCap Financial Capital Management intends to engage in any hedging, transfer or financing of the U.S. Retention Interest that would be prohibited by the U.S. Risk Retention Rules. If an event of default occurs under a Retention Financing, the lenders thereunder would, under certain circumstances, have the right to foreclose on the security interest over the Retention Interest granted by a member of the MidCap Group and/or MidCap Financial Capital Management thereunder and to exercise other creditor remedies. Under such circumstances, a Retention Financing could result in a failure to satisfy the Risk Retention Rules. Any such failure could have a material and adverse effect on the market value and/or liquidity of the CLO securities as well as on the business, condition (financial or otherwise), assets, operations or prospects of the CLO.

The impact of the EU Securitization Laws and the U.S. Risk Retention Rules on the securitization market is also unclear and such rules (including any amendments thereto) could negatively impact the value of CLOs, CLO Warehouses and their underlying assets.

**Monetary Policy and Governmental Intervention.** As part of the response to the recent global financial crisis, the U.S. Federal Reserve (the “Federal Reserve”) and global central banks, including the European Central Bank, have in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. It cannot be predicted with certainty when, or how, these policies will change, but actions by the Federal Reserve and other central bankers are likely to have a significant effect on interest rates

and on the U.S. and world economies generally, which in turn could affect the performance of the investments of CLOs and CMIIs. Further financial crises are likely to result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

**Alternative Investment Fund Managers Directive.** AIFMD provides a framework for the European Union (“EU”) and the additional states which together with the EU comprise the European Economic Area (“EEA”) to regulate managers of alternative investment funds that are not Undertakings for the Collective Investment of Transferable Securities, but which are marketed or managed in the EU. Since July of 2013, the AIFMD has restricted the extent to which CLOs can be marketed to potential investors in the EEA. The AIFMD imposes significant new regulatory requirements on investment managers operating within the EEA, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing. Interests in alternative investment funds organized outside that are marketed within the EEA are now subject to significant ongoing obligations. Such funds can be marketed in each EEA jurisdiction only in compliance with the requirements of that jurisdiction to register the fund for marketing, undertake periodic investor and regulatory reporting including, among other items, the risk and portfolio profile of each CLO which is marketed in that regulator’s jurisdiction. Further requirements and restrictions could apply where CLOs invest in EU companies, including limits on certain investment and realization strategies, such as dividend recapitalizations and reorganizations. Such rules could potentially impose material additional costs on the operation of MidCap Financial Capital Management’s business or investments in the EEA and could limit MidCap Financial Capital Management’s operating flexibility within the relevant jurisdictions. In some countries, additional obligations are imposed as a condition of registration. For example, in Germany and Denmark, marketing of a non-EEA fund now also requires the appointment of one or more depositaries (with cost implications for the fund). Depending on the activities of each CLO, additional restrictions on investment activities would also apply to CLOs that are marketed to EEA investors. Accessing EEA investors could be more difficult as a result and CLO costs could increase due to any such additional requirements.

**FCPA Considerations.** MidCap Financial Capital Management is committed to complying with the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, CLOs could be adversely affected because of their unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations make it difficult in certain circumstances for CLOs to act successfully on investment opportunities and for portfolio investments to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. While MidCap Financial Capital Management has developed and implemented policies and procedures designed to ensure strict compliance by MidCap Financial Capital Management and their personnel with the FCPA, such policies and procedures might not prove effective in all instances to prevent violations. Any determination that MidCap Financial Capital Management has violated the FCPA or other applicable anti-corruption laws or anti-

bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect MidCap Financial Capital Management's business prospects and/or financial position, as well as a CLO's ability to achieve its investment objective and/or conduct its operations.

**Political, Social and Economic Uncertainty.** Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which CLOs, CMI Clients and borrowers are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat.

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

For example, in early 2020, a novel coronavirus (SARS-CoV-2) and related respiratory disease (COVID-19) emerged in China and spread rapidly to across the world, including to the United States. This outbreak has led and is likely to continue to lead to disruptions in the worldwide economy, particularly with respect to economies of nations where the novel coronavirus has arisen and also the global markets. This outbreak and any future outbreaks could have a further adverse impact on the global economy in general, including volatility in or disruption of the credit markets, which could have a material adverse impact on the ability of MidCap Financial Capital Management or its affiliates to make and sell loans. As of the date of this Brochure, it is impossible to determine the scope of this outbreak, or any future outbreaks, or its full potential impact on MidCap Financial Capital Management, its clients and their borrowers.

Although it is impossible to predict the precise nature and consequences of these events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact the CLO's and CMI Clients' investments, it is clear that these types of events, will impact clients and borrowers. The middle market companies that

are borrowers on the loans in which clients invest could be particularly impacted by emerging events and uncertainty of this type and Clients will be negatively impacted if the value of their portfolio holdings decreases as a result of such events and the uncertainty they cause. There can be no assurance that emerging events will not cause a CLO or CMI Client to suffer a loss of any or all of its investments or interest thereon. CLOs and CMI Clients will also be negatively affected if the operations and effectiveness of MidCap Financial Capital Management and its affiliates, obligors, borrowers or their key service providers are compromised or if necessary or beneficial systems and processes are disrupted.

**Pay-to-Play Laws, Regulations and Policies.** A number of U.S. states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives, employees or agents makes a contribution to certain elected officials or candidates. If MidCap Financial Capital Management, any of its employees, affiliates or any service provider acting on their behalf fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on CLOs.

**Possibility of Fraud and Other Misconduct of Personnel and Service Providers.** Misconduct by personnel of MidCap Financial Capital Management, service providers to MidCap Financial Capital Management and/or CLOs and/or their respective affiliates could cause significant losses to such CLOs. Examples of misconduct include entering into transactions without authorization, failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such CLOs, improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such CLOs, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities could result in reputational damage, litigation, business disruption and/or financial losses to such CLOs. MidCap Financial Capital Management has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that MidCap Financial Capital Management will be able to identify or prevent such misconduct.

**Changes in Investment Focus.** CLOs will not necessarily be restricted in terms of the percentage of their capital that can be invested in an industry, geographical region or type of investment. While a CLO’s Governing Documents contain a description of the types of investments that other CLOs have historically made and/or information about MidCap Financial Capital Management’s expectations with respect to such CLO, many factors could result in changes in emphasis in the construction of such CLO’s portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of any CLO will resemble the portfolio of any prior CLO.

**Possible Lack of Diversification.** Each CLO could concentrate its portfolio investments by investing all of its assets in only a few issuers, industries or countries. By investing in a limited

number of portfolio investments, the aggregate returns realized by a CLO could be substantially reduced if more than a small number of the CLO's portfolio investments experience unfavorable performance.

**Leverage.** CLOs borrow and utilize various forms of leverage and expect to operate with a significant leverage ratio. Although leverage presents opportunities for increasing a CLO's total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the total return of the leveraging CLO will decrease. Accordingly, any event which adversely affects the value of a portfolio investment would be magnified to the extent a CLO is leveraged. The cumulative effect of the use of leverage by CLOs in a market that moves adversely to such CLOs' investments or in the event portfolio investments experience credit quality deterioration could result in a substantial loss to CLOs that could be substantially greater than if such CLOs were not leveraged. In addition, contractual demands by lenders to a CLO to reduce its leverage could force such CLO to sell investments on an emergency basis at prices less than those obtainable in a more orderly liquidation. To the extent that a creditor has a claim on a CLO, such claim would be senior to the rights of an investor in the CLO. As a result, if a CLO's losses were to exceed the amount of capital invested, an investor could lose its entire investment.

**Financing Arrangements.** CLO financing arrangements often include provisions that expose the CLO to particular risks. For example, any cross-default provisions could magnify the effect of an individual default. If a cross-default provision were exercised, this could result in a substantial loss for a CLO. Also, CLO financing arrangements can include financial covenants that require the CLO to maintain certain financial ratios. If a CLO were to breach the financial covenants contained in any such financing arrangement, it might be required to repay such debt immediately, in whole or in part, together with any attendant costs, and the CLO might be forced to sell some of its assets to fund such costs. Certain CLOs could also be required to reduce or suspend distributions in these circumstances. Such financial covenants would also limit the ability of MidCap Financial Capital Management to adopt a financial structure (*e.g.*, by reducing levels of borrowing) that it might have adopted in the absence of such covenants which could harm the CLO.

**Hedging Policies/Risks.** In connection with certain investments, CLOs employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates. While such transactions can reduce certain risks, hedging transactions themselves entail other risks. The success of hedging transactions is subject to MidCap Financial Capital Management's ability to correctly predict movements in the direction of currency and interest rates, which are volatile and which MidCap Financial Capital Management cannot always predict. In addition, the success of hedging transactions is also subject to MidCap Financial Capital Management correctly identifying the need for hedging. Thus, while CLOs can benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates could result in a poorer overall performance for CLOs that enter into hedging transactions.

**Uncertainty of Financial Projections.** As part of its due diligence of a potential investment, MidCap Financial Capital Management typically makes certain financial projections with respect to securities of or loans to a company. Projected operating results normally will be based primarily

on management judgments. In all cases, projections are only estimates of future results and are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be realized, and actual results will also vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections and the performance of any investment in such company.

**Participation Interests.** Certain CLOs purchase participation interests in debt instruments that do not entitle the holder thereof to direct rights against the obligor. Participations held by a CLO in a selling institution's portion of a debt instrument typically result in a contractual relationship only with such selling institution, not with the obligor. CLOs generally have the right to receive payments of principal, interest and any fees to which they are entitled only from the selling institution selling the participation and only upon receipt by such selling institution of such payments from the obligor (*i.e.*, which are non-recourse to the selling institution if the obligor fails to pay). In connection with purchasing participations, a CLO generally will have no rights to enforce compliance by the obligor with the terms of the related loan agreement, and no rights of set-off against the obligor, and such CLO might not benefit directly from the collateral supporting the debt instrument in which it has purchased the participation. As a result, CLOs will assume the credit risk of both the obligor and the selling institution selling the participation. In the event of the insolvency of such selling institution, CLOs could be treated as general creditors of such selling institution and, in such case, would not benefit from any set-off between such selling institution and the obligor. When CLOs hold a participation in a debt instrument, they might not have the right to vote to waive enforcement of any restrictive covenant breached by an obligor. In addition, if a CLO does not vote as requested by the selling institution, it could be required to resell the participation to the selling institution at par. Selling institutions voting in connection with a potential waiver of a restrictive covenant can have interests different from those of the CLO, and such selling institutions are not required to consider the interests of the CLO in connection with their votes.

**Use of Expert Networks.** In connection with the analysis of certain investment opportunities, MidCap Financial Capital Management or its service providers engage expert networks. MidCap Financial Capital Management or such service providers have implemented procedures to address the risk that use of expert networks could result in investment professionals receiving material nonpublic information. However, if such controls should fail and an investment professional were to obtain material nonpublic information, then MidCap Financial Capital Management could be restricted in acquiring or disposing of investments on behalf of CLOs, which could adversely impact the returns generated for CLOs.

**Cybersecurity Risk.** The increasing reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyber-attacks, or accidental events, can lead to a breach in computer and data systems security and subsequent unauthorized access to sensitive transactional and personal information. Data taken in breaches could be used by criminals in identity theft, obtaining loans or payments under false identities, and other crimes that could affect the value of assets in which CLOs invest. Cybersecurity breaches at MidCap Financial Capital Management or its vendors and service providers can also lead to theft, data corruption, or overall disruption in operational systems. These threats could also indirectly affect CLOs through cyber incidents with third party service providers

or counterparties. These risks can disrupt the ability to engage in transactional business, cause direct financial loss and reputational damage, or lead to violations of applicable laws related to data and privacy protection and consumer protection. Cybersecurity risks also result in ongoing prevention and compliance costs.

**Restrictions on Transactions Due to Other Businesses.** From time to time, various potential and actual conflicts of interest can be expected to arise from the overall advisory, investment and other activities of ACM and its affiliates, AISG and its affiliates and/or MidCap Financial Capital Management and its affiliates (each a “Manager”). Each Manager will endeavor to resolve conflicts of interest with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances. Each Manager can invest, on its own behalf, in securities and other instruments that would be appropriate for, held by, or fall within the investment guidelines of, a client of such Manager or a client of another Manager. A Manager can give advice, or take action, for its own account that differs from, conflicts with or is adverse to, advice given or action taken for its clients or clients of another Manager. These activities could adversely affect the prices and availability of other securities or instruments held by, or potentially considered for, one or more clients. Conflicts of interest also could arise when a Manager has investments in some clients but not in others or has differential interests in the various clients, such as where clients pay different levels of fees and incentive compensation to such Manager.

Each Manager, together with its clients, engages in a broad range of business activities and invests in portfolio companies whose operations could be substantially similar to, and/or competitive with, the portfolio companies in which clients have invested. The performance and operation of such competing businesses could conflict with, and adversely affect the performance and operation of, a client’s portfolio companies, and the prices and availability of business opportunities or transactions available to such portfolio companies. Each Manager will seek to resolve conflicts in a manner that such Manager determines in its sole discretion to be fair and equitable to its clients.

In addition, a Manager can give advice, or take action with respect to, the investments of one or more clients that is not be given or taken with respect to other clients with similar investment programs, objectives or strategies. Accordingly, clients of a Manager with similar strategies will not necessarily hold the same securities or instruments or achieve the same performance. A Manager also could advise clients with conflicting investment objectives or strategies. These activities also could adversely affect the prices and availability of other securities or instruments held by, or potentially considered for, one or more clients.

A Manager can also have ongoing relationships with issuers whose securities have been acquired by, or are being considered for investment by, its clients or clients of the other Manager. From time to time a client could invest in a company in which one or more other clients of a Manager hold an investment in a different class of such company’s debt or equity, or vice versa. For example, a Manager could acquire securities or other financial instruments of an issuer for one client which are senior or junior to securities or other financial instruments of the same issuer that are held by, or acquired for, another client of the Manager or a client of the other Manager (*e.g.*, a client acquires senior debt while another client acquires subordinated debt). Conflicts of interest can arise under such circumstances. For example, in the event such issuer enters bankruptcy, if the clients holding securities which are senior in bankruptcy preference have the right to aggressively pursue the issuer’s assets to fully satisfy the issuer’s indebtedness to such client, a



Manager might have an obligation to pursue such remedy on behalf of such client. As a result, another client of such Manager or a client of the other Manager holding assets of the same issuer which are more junior in the capital structure might not have access to sufficient assets of the issuer to completely satisfy its bankruptcy claim against the issuer and suffer a loss. In such circumstances, a Manager will, to the fullest extent permitted by its fiduciary duties and applicable law, take steps to mitigate, or reduce the potential for, conflicts between the interests of each of its applicable clients, including causing one or more of such clients to take certain actions that, in the absence of such conflict, it would not take (*e.g.*, a client might remain passive in a situation in which it is entitled to vote, might divest itself of an asset it might otherwise have held on to, might refer any such matter to a third party unaffiliated with the Manager or might invest in a particular asset or class of securities that seeks to align its interests with those of other clients). Any such step could have the effect of benefiting other clients or the Manager at the expense of a particular client. In addition, clients of MidCap Financial Capital Management will not be clients of ACM or its affiliates. ACM's duty in those cases is to its clients and, as a result, ACM's actions in such a scenario could be detrimental to a client of MidCap Financial Capital Management.

Each Manager has instituted policies and procedures that are reasonably designed to address such potential conflicts of interest among its clients and that seek to ensure that its clients are treated fairly and equitably. The application by a Manager of such policies and procedures is expected to vary based on the particular facts and circumstances surrounding each investment by two or more clients in different classes, series or tranches of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure), and, as such, investors should expect some degree of variation, and potentially inconsistency, in the manner in which conflicts of interest are addressed by the applicable Manager. While a Manager's policies and procedures for addressing the conflicts between clients in these situations are intended to resolve the conflicts in an impartial manner, there can be no assurance that such Manager's own interests will not influence its conduct. Further, any policies and procedures implemented by ACM or its affiliates will not be designed to prevent conflicts with clients of MidCap Financial Capital Management.

A CLO or CLO Warehouse can engage in trades and investments with a client of ACM or its affiliates (an "ACM Client"), or any of their respective portfolio companies, and can acquire securities from, or sell or otherwise dispose of securities to, any such person. No ACM Client, or any of their respective portfolio companies will be prohibited from acquiring, or otherwise engaging in transactions with respect to securities or other assets of any person (including an intermediate entity or SPV) in which a CLO or CLO Warehouse has a financial interest (whether in the same or a different class of securities or other assets) or selling, divesting, making further acquisitions or otherwise engaging in transactions with respect to securities or other assets of such person, including following a co-investment. A CLO or CLO Warehouse will generally not be prohibited from acquiring, or otherwise engaging in transactions with respect to, securities or other assets of any person (including an SPV) in which an ACM Client, or any of their respective portfolio companies has a financial interest (whether in the same or a different class of securities or other assets) or selling, divesting, making further acquisitions or otherwise engaging in transactions with respect to securities or other assets of such person, including following a co-investment. Without limiting the generality of the foregoing, an ACM Client or any of their respective portfolio companies could originate or otherwise participate in a variety of direct lending opportunities (including bridge loans, secured first and second lien loans, convertible

notes, mezzanine loans, debtor-in-possession financings and structured letters of credit), and can structure any such investments so that they can be sold in the secondary market, including to a CLO or CLO Warehouse. In addition, when ACM Clients invest in the senior, subordinated and/or equity securities of collateralized leveraged loan or debt obligations and similar structured vehicles sponsored by MidCap Financial Capital Management, ACM or its affiliates could take actions detrimental to clients of MidCap Financial Capital Management. A CLO or CLO Warehouse could also purchase downgraded assets from ACM Clients, or any of their respective portfolio companies. As described elsewhere herein, similar trades and investments can occur between CLO or CLO Warehouses and members of the MidCap Group.

**Subdivision of Debt Obligations.** ACM and its affiliates, ACM Clients and MidCap Financial Capital Management and its client could, from time to time, subdivide a debt obligation into two or more tranches, each of which has different terms from the original obligation with respect to interest and principal repayment, seniority and subordination, default remedies, rights to collateral and other matters. The owner of the original obligation, which could have been acquired directly from a borrower in a negotiated transaction or in the secondary market, can retain an interest in one or more tranches and can dispose of any such interests, including in related party transactions between one or more clients of MidCap Financial Capital Management or between clients of MidCap Financial Capital Management and ACM Clients. The subdivision or “tranching” of debt obligations typically will be undertaken when the applicable Manager determines that doing so could achieve competitive advantages or other benefits. For example, a borrower might prefer a lender that is prepared to negotiate a single consolidated credit arrangement, instead of having to negotiate senior and subordinated loans, and/or secured and unsecured loans with multiple lenders. Tranching can also facilitate access to debt obligations or other securities having specific features that suit the differing risk and return parameters of different ACM Clients on a more customized basis than is available in the market at a particular time. Participation by CLOs or CLO Warehouses in tranches of these debt obligations will give rise to a variety of potential conflicts of interest with ACM Clients and/or other CLOs or CLO Warehouses. These potential conflicts include the following:

**Terms of Tranches.** The terms of the tranches, including pricing terms and other terms, including inter-creditor rights and obligations between or among the holders of the different tranches, typically will not be the result of any arms’ length negotiations. The applicable Manager will endeavor to ascertain and adhere to prevailing market practices at the time that the terms of the tranches are established. However, for any particular terms, there can be no assurance that a prevailing market practice exists or can be readily ascertained or that it will be adopted if there are circumstances that cause the applicable Manager to conclude that it is not appropriate in a particular case.

**Exercise of Rights and Remedies.** Once different tranches have been allocated among the clients of the applicable Manager, a variety of situations could arise in which the holders of a particular tranche will have the opportunity to enforce rights or remedies relating to the borrower, or to vote on or consent to waivers, amendments or other changes. In general, if the relevant documents give holders of one tranche a right to take action, each Manager expects that under most circumstances, it will take such action in the manner that it believes to be in the best

interests of such holders, without regard to the consequences for holders of other tranches. A decision on any of these matters on behalf of holders of one tranche could have an adverse effect on the expected return for holders of other tranches. In these circumstances, the applicable Manager might consider whether there are alternative measures that could fairly and appropriately reconcile the competing interests of its clients, but there can be no assurance that such alternative measures will be available. As a result, the applicable Manager could be required to take, or not take, an action that will place the interests of one client ahead of those of other clients. Alternatively, if a particular client of a Manager is the owner of a tranche in which unaffiliated investors also own a material interest, in order to mitigate conflict with other clients holding interests in a different tranche, the applicable Manager can elect to take a passive approach in which it allows the unaffiliated holders to guide the action to be taken or not taken. These conflicts could adversely impact the CLOs and CLO Warehouses and the tranches held by CLOs or CLO Warehouses to the extent that they own interests in tranches also owned by ACM Clients or other CLOs or CLO Warehouses. Further, ACM and its affiliates have no obligation to consider the interests of the CLOs and CLO Warehouses.

**Bankruptcy and Other Distress Situations:** When a debtor with different classes of outstanding debt becomes bankrupt or experiences severe financial distress, a resolution of the situation often requires adversarial judicial proceedings or contentious negotiations. If this were to occur with respect to a debtor for which clients of the Managers hold different tranches of debt or other securities, it generally would not be feasible for a Manager to advocate effectively for the interests of all of its clients to the extent that there are conflicting or competing interests among holders of different tranches. As a threshold matter, each Manager expects that in a bankruptcy or other distressed situation, it could arrange for separate legal counsel to be engaged on behalf of each separate tranche in order to analyze and identify the available rights, remedies, potential claims and legal strategies for seeking to maximize the recovery potentially available to the tranche, unless the outcome for a particular tranche is clear and certain. It is anticipated that, where feasible, an effort will be made to fashion a compromise solution among clients of the applicable Manager. Any such effort to reach a compromise solution could result in clients of the Managers experiencing a worse outcome than they might have achieved in the absence of these conflicting loyalties. In certain circumstances, a Manager might seek to mitigate the conflict by delegating certain decision-making responsibilities on behalf of its clients to unaffiliated third parties, or by seeking to dispose in whole or in part of one or more tranches. Alternatively, a Manager can seek to accommodate the competing interests of its clients by assigning different teams of investment professionals, supported by separate legal counsel and other advisers, to act independently of each other in representing different tranches. There can be no assurance that any of these measures will be feasible or effective in any particular situation, and it is possible that the outcome for a client, will be less favorable than might otherwise have been the case if the applicable Manager had not had duties to clients holding other tranches.

While MidCap Financial Capital Management anticipates that, over time, the overall benefits of permitting multiple CLOs and CLO Warehouses, to participate in different tranches will outweigh the potential disadvantages in particular circumstances, there is no way to predict whether these net benefits will ultimately be achieved. Moreover, it is possible that the interests of a Manager will have an influence on how conflicts between clients in these situations will be resolved. For example, MidCap Financial Capital Management or ACM has an incentive to favor the interests of clients that invest primarily in more subordinated classes of debt, to the extent that compensation from such a client is higher than the compensation earned from clients that invest primarily in more senior debt. While the applicable Manager's policies and procedures for addressing the conflicts between its clients in these situations are intended to resolve the conflicts in an impartial manner, there can be no assurance that such interests will not influence its conduct. Finally, the CLOs and CLO Warehouses will not be clients of ACM and ACM will have no fiduciary duty to the CLOs or CLO Warehouses and ACM could intentionally take actions that harm a CLO or CLO Warehouse in circumstances similar to those described above.

## **ITEM 9**

### **Disciplinary Information**

Not Applicable.

## **ITEM 10**

### **Other Financial Industry Activities and Affiliations**

MidCap Financial Capital Management maintains various important relationships with the MidCap Group, including sharing certain employees. As discussed above in Item 5, MidCap Financial Services and MidCap Ireland provide various services to MidCap Financial Capital Management.

The MidCap Group and certain entities that are connected with MidCap Financial Capital Management through advisory service arrangements involving the MidCap Group (including ACM as investment adviser to the MidCap Group), and their respective partners, directors, officers, employees and agents provide investment management services to, and have voting control over, investment funds (including the MidCap Group) and could, in the future, carry on investment activities for other clients, including other investment funds, collateralized loan obligations, collateralized loan obligation warehouses, client accounts and proprietary accounts in which MidCap Financial Capital Management will have no interest and whose respective investment programs can, but will not necessarily, be substantially similar. Further, conflicts of interest can arise from the fact that some of MidCap Financial Capital Management's personnel will be shared with MidCap Financial Services and/or MidCap Ireland and be involved in the management of other aspects of the MidCap Group's operations. Participation in specific investment opportunities could be appropriate at times for both MidCap Financial Capital Management's clients and clients of ACM or its affiliates or AISG or its affiliates. The investment program of the MidCap Group and other ACM clients allow investments in CLOs and other instruments in which MidCap Financial Capital Management's clients can invest. In light of the various relationships between MidCap Financial Capital Management and the MidCap Group, MidCap Financial Capital Management has an incentive to pursue investment opportunities in a way that is favorable to the MidCap Group. Additionally, ACM's services to the MidCap Group,

which will effectively limit the available investment universe for the CLOs and CLO Warehouses, are rendered in the best interest of the MidCap Group and without regard to the interests of the CLOs or CLO Warehouses, which could reduce the number and quality of available investments. MidCap Financial Capital Management's allocation practices will take the available investment and offer it to the CLOs in accordance with its policies, as described in Item 6 above.

The MidCap Group can invest in transactions as principal with respect to loans and securities or other investments that are purchased, sold or held by clients of MidCap Financial Capital Management. Any such affiliate transactions will be undertaken in accordance with applicable provisions of the Advisers Act.

Members of the MidCap Group and CLOs and CLO Warehouses invest in debt obligations that are part of a capital structure that includes both senior and subordinated indebtedness or debt obligation. In certain circumstances, the MidCap Group will invest in the senior debt obligations and the CLOs or CLO Warehouses will invest in subordinated debt obligations. If the obligor of such debt obligations were to become bankrupt or experience severe financial distress, a resolution of the situation could (and often does) require adversarial judicial proceedings or contentious negotiations. If this were to occur with respect to a debtor or debt obligation for which the MidCap Group and CLOs or CLO Warehouses hold senior and subordinated indebtedness, members of the MidCap Group and the CLOs or CLO Warehouses could have competing or conflicting interest. Any such competing or conflicting interests could result in CLOs or CLO Warehouses experiencing a worse outcome than they might have achieved in the absence of such conflicts. Moreover, the MidCap Group has no obligation to consider the interests of the CLO or CLO Warehouses and could intentionally take action that would result in a detriment to the CLOs or CLO Warehouses. CLOs and CLO Warehouses could hold such senior debt obligations. As the holder of a senior debt obligation, the CLO or CLO Warehouses similarly could intentionally take action that would result in a detriment to the MidCap Group. Alternatively, the CLOs and CLO Warehouses could be subject to intercreditor arrangements where the holders of the junior debt obligations, including members of the MidCap Group, have certain controlling or protective rights. The existence of such competing interests could adversely impact the ability of the CLOs or CLO Warehouses to effectuate remedies in their capacity as the owner of such senior debt obligations and otherwise experiencing a worse outcome than they might have achieved in the absence of such conflicts.

**Apollo Capital Management, L.P.** As discussed in Item 4, ACM has entered into an investment management agreement pursuant to which ACM acts as the investment manager of FinCo's and its subsidiaries' credit business. Investment opportunities sourced for FinCo and its subsidiaries often are also appropriate for ACM's clients, and therefore, personnel from FinCo and ACM communicate from time to time about such investment opportunities. Because FinCo's and its subsidiaries' business consists predominately of its credit business for which ACM is the investment manager, FinCo and its subsidiaries are subject to Apollo's policies and procedures that are designed to monitor and address these potential conflicts.

The relationships between MidCap Financial Capital Management, FinCo and its subsidiaries and ACM create conflicts of interest among their clients, including conflicts arising from the allocation of investment opportunities, as MidCap Financial Capital Management and ACM will act as collateral managers for their respective CLOs. ACM and MidCap Financial Capital Management

have instituted policies and procedures that address the allocation of a transaction within their respective groups and clients. Each party has its own policies in place to mitigate the potential for conflicting interests. Please refer to Item 6 for more detail on the allocation procedures in place under “*Allocation of Investment Opportunities*”.

MidCap Financial Capital Management also contracts for the provision of administrative and back-office services associated with its asset management business, including certain compliance functions. These services are provided to MidCap Financial Capital Management by ACM under agreements between ACM and MidCap Financial Capital Management.

**Apollo Insurance Solutions Group LLC.** As discussed in Item 4, AISG and MidCap Financial Capital Management have entered into the AISG Sub-Advisory Agreement pursuant to which MidCap Financial Capital Management provides non-discretionary services to AISG to identify CMIs that fall within the investment criteria specified by the AISG Client under the AISG Sub-Advisory Agreement, and AISG will make allocation decisions with respect to such CMIs under AISG’s allocation policy. As discussed in Item 6, some of the CMIs that MidCap Financial Capital Management identifies and recommends to AISG under the AISG Sub-Advisory Agreement are expected to be transactions that ACM has identified and allocated to the MidCap Group for investment. As such, conflicts of interest exist among the clients of ACM, AISG and MidCap Financial Capital Management for CMIs that fit the investment criteria of both AISG clients and ACM clients within the Midcap Group. AISG, ACM and MidCap Financial Capital Management have each instituted policies and procedures to mitigate the potential for conflicting interests including by addressing the allocation of a transaction within their respective groups and clients. Please refer to Item 6 for more detail on the allocation procedures in place under “*Allocation of Investment Opportunities*”.

### **Redding Ridge Asset Management LLC**

Redding Ridge Asset Management (“Redding Ridge”) is a Delaware series limited liability company and independently registered as an SEC investment adviser. AGM established and provided seed capital for Redding Ridge Holdings LP, a Cayman Islands exempted limited partnership, its wholly owned subsidiary Redding Ridge and their affiliates, to facilitate compliance with the Risk Retention Rules.

Redding Ridge clients include other investment funds, collateralized loan obligations, collateralized loan obligation warehouses, separate accounts and proprietary accounts in which MidCap Financial Capital Management will have no interest and whose respective investment programs can, but will not necessarily, be substantially similar to those of clients of MidCap Financial Capital Management. MidCap Financial Capital Management contracts with Redding Ridge for certain advisory services from Redding Ridge related to the modeling and other technical aspects of CLO transactions. The relationship between MidCap Financial Capital Management and Redding Ridge is not expected to create conflicts as the investment opportunities offered to the MidCap Financial Management Clients do not overlap with Redding Ridge investment opportunities.

## ITEM 11

### Code of Ethics, Participation or Interest in Client Transactions and Personal Trading Code of Ethics

MidCap Financial Capital Management is subject to a Code of Ethics (the “Code”) consistent with Rule 204A-1 under the Advisers Act. The Code applies to all partners, principals, directors, officers, employees and supervised persons of MidCap Financial Capital Management (each a “Covered Person”). MidCap Financial Capital Management strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, the Code incorporates the following general principles that all Covered Persons are expected to uphold:

- (i) Covered Persons must at all times place the interests of clients first;
- (ii) all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of a Covered Person’s position of trust and responsibility must be avoided;
- (iii) Covered Persons must not take inappropriate advantage of their positions;
- (iv) information concerning the identity of securities and financial circumstances of the CLOs or CLO Warehouses, including investors in CLOs or CLO Warehouses, and non-public information concerning the CMIs under management, must be kept confidential; and
- (v) independence in the investment decision-making process must be maintained at all times. Finally, Covered Persons are required to comply with applicable federal securities laws at all times.

#### Personal Trading Restrictions

The Code requires that Covered Persons’ personal investment activities comply with all applicable laws and regulations. In addition, Covered Persons are required to obtain prior approval for all discretionary accounts and securities transactions (including, but not limited to, investments in private placements and limited offerings) other than those involving: government and municipal securities; exchange-traded funds and closed-end funds (other than where securities of such funds are acquired in a IPO of limited offering); mutual funds (*i.e.*, registered open-ended management investment companies); variable annuities; commodities; and transactions in fully-managed accounts where Covered Persons or other Relevant Persons (as defined below) significantly contribute. Covered Persons are prohibited from purchasing securities in initial public offerings.

The Code provides that approval generally will not be granted for securities of companies on the restricted list which is maintained and monitored by ACM. Further, approval generally will not be granted for short sales and proposed securities transactions in securities of companies with a market capitalization for the outstanding equity on the date of trade of more than \$100 million and less than \$10 billion. This “market-capitalization band” can be changed from time to time.

## **Personal Securities Holdings and Transaction Reports**

Subject to limited exceptions, each Covered Person must periodically submit to the designated person a report of the holdings and transactions in the accounts in which the following persons have a direct or indirect beneficial ownership interest or over which the following persons exercise any investment control, influence or discretion: (i) the Covered Person; (ii) any member of the Covered Person's immediate family and to whose support the Covered Person significantly contributes, including, as relevant, the Covered Person's spouse, children, stepchildren, grandchildren, parents, grandparents, stepparents, siblings, and other persons with whom a Covered Person has an adoptive or in-law relationship; or (iii) any other person to whose support a Covered Person significantly contributes (each individual identified in clauses (i) and (iii), a "Relevant Person").

The holdings reports must contain, at a minimum: (i) the title and type of security, and, as applicable, the exchange ticker symbol or CUSIP number, number of shares and principal amount of each reportable security in which the Relevant Persons have any direct or indirect beneficial ownership; (ii) the name of any broker, dealer or bank with which the Relevant Persons maintain an account in which any securities are held for the Relevant Person's direct or indirect benefit; (iii) if securities are held other than with a broker, dealer or bank, the location of the securities; and (iv) the date that the Covered Person submits the report to the designated person.

The transactions reports must contain, at a minimum: (i) the date of the transaction, the title and, as applicable, the exchange ticker symbol or CUSIP number, the interest rate and maturity date, the number of shares and the principal amount of each reportable security involved; (ii) the nature of the transaction (*i.e.*, purchase, sale or any other type of acquisition or disposition); (iii) the price of the security at which the transaction was effected; (iv) the name of the broker, dealer, bank or other financial institution with or through which the transaction was effected; (v) if not effected through a broker, dealer or bank, the location of the securities and a description of how the transaction was effected; and (vi) the date that the Covered Person submits the report to the designated person.

Submission of a duplicate copy of the most recent periodic financial institution statements of the Relevant Persons will be sufficient to fulfill the holdings and transactions report requirement if such financial institution statements include all required information for all securities. MidCap Financial Capital Management shall ensure that duplicate account information for all accounts of Relevant Persons is sent directly to the designated person or electronically through our Personal Trading Control Center.

The Code requires each Covered Person to prepare or certify, on at least an annual basis, reports of securities holdings and transactions.

MidCap Financial Capital Management has contracted with ACM to provide support in administering these requirements.

## **Material, Non-Public Information**

The Code includes policies and procedures concerning "inside information" (the "Insider Trading Policies") that are designed to prevent the misuse of material, non-public information by MidCap



Financial Capital Management and its Covered Persons. Covered Persons are required to certify to their compliance with the Code, including the Insider Trading Policies annually. The Insider Trading Policies prohibit MidCap Financial Capital Management and Covered Persons from trading in CLOs or for themselves, or recommending trading, in securities of a company while in possession of material, non-public information (“Inside Information”) about the company, and from disclosing such information to any person not entitled to receive it.

By reason of their activities, MidCap Financial Capital Management or its Covered Persons could obtain Inside Information and, as a result, be restricted from effecting transactions for themselves or for a client in certain investments that might otherwise have been initiated. For example, MidCap Financial Capital Management or its personnel might receive Inside Information due to their various activities, which could result in either limited liquidity or in MidCap Financial Capital Management or its personnel being prohibited from using such information for the benefit of the clients. By way of another example, MidCap Financial Capital Management’s (or MidCap Group’s) investment professionals must obtain approval from the Chief Compliance Officer or designee prior to engaging any expert network and must send affirmations indicating that they did not receive material nonpublic information and that the expert did not breach any duty of confidentiality. MidCap Financial Capital Management seeks to minimize those cases whenever possible, consistent with applicable law and the Insider Trading Policies, but there can be no assurance that such efforts will be successful and that such restrictions will not occur. These restrictions could adversely impact a client.

### **Other Provisions of the Code**

Covered Persons are subject to additional standards of conduct relating to the use of funds and property, conflicts of interest and opportunities belonging to clients, managing investments of related parties, and general standards of conduct including the conduct expected when dealing with clients and the investors in clients. Violations of the Code are subject to the imposition of sanctions, up to and including termination.

A copy of the Code will be provided to any current or prospective client or investor upon request.

### **Principal and Cross Transactions**

Any principal or cross trade will be conducted in a manner that is consistent with applicable law, relevant fiduciary obligations and contractual obligations and each participating client’s investment objectives, at a fair and appropriate price, as determined in accordance with applicable policies and procedures.

MidCap Financial Capital Management and the MidCap Group expect that a significant portion of the CLOs’ and CLO Warehouses’ assets will be acquired from (and a portion of assets will be sold to) members of the MidCap Group. In most cases these will be “principal transactions” for purposes of the Advisers Act. In accordance with the anti-fraud provisions of the Advisers Act and MidCap Financial Capital Management’s internal compliance policies and procedures, MidCap Financial Capital Management provides appropriate disclosure of such transactions and obtains the prior informed consent of the CLO or CLO Warehouse or its Independent Review Party and the prior written authorization of MidCap Financial Capital Management’s Chief Compliance

Officer or the General Counsel before effecting such transactions. Each investment opportunity that is offered to the CLOs is independently reviewed and analyzed by the dedicated investment professional who will examine the factors set forth in Item 8 herein to determine if the investment fits as a good investment for the CLO or CLO Warehouse. In addition, such transactions are only permitted to be affected to the extent the asset purported to be transferred to a CLO or CLO Warehouse managed by MidCap Financial Capital Management remains an “eligible loan” that is not in default and is permitted by the indenture or Governing Documents of the CLO or CLO Warehouse to be acquired and held by such CLO or CLO Warehouse.

Likewise, MidCap Financial Capital Management and the MidCap Group expect that a significant portion of the CMIs acquired by CMI Clients through the AISG Sub-Advisory Agreement will be acquired from members of the MidCap Group. In most cases these will be “principal transactions” under the Advisers Act for MidCap Financial Capital Management. In accordance with the anti-fraud provisions of the Advisers Act and MidCap Financial Capital Management’s internal compliance policies and procedures, MidCap Financial Capital Management provides appropriate disclosure of such transactions and obtains the prior informed consent of the CMI Client (via AISG, as primary adviser to, and agent for, the CMI Client) and the prior written authorization of MidCap Financial Capital Management’s Chief Compliance Officer before effecting principal transactions. MidCap Financial Capital Management expects that each investment opportunity that is referred to AISG for investment by a CMI Client will be independently reviewed and analyzed by a dedicated investment professional at AISG who will determine if the investment is an appropriate investment for the CMI Client. Additionally, since members of the MidCap Group are clients of ACM, ACM’s and AISGs legal and compliance departments must also determine that the cross trade from a member of the MidCap Group to a CMI Client is fair and equitable to each client and identify any potential conflicts of interest, prior to ACM’s and AISG’s approval of the transaction. While MidCap Financial Capital Management will effect these transactions without the use of third-party brokers or dealers, as noted above pricing for such transactions will be in accordance with valuation procedures established by ACM, AISG and MidCap Financial Capital Management and, where available, based on then-current market prices.

MidCap Financial Capital Management can also cause clients to enter into cross-transactions whereby one client of MidCap Financial Capital Management sells assets to another client of MidCap Financial Capital Management, although MidCap Financial Capital Management expects cross-transactions to occur infrequently. Whenever MidCap Financial Capital Management intends to have two or more clients enter into a cross trade, the transaction will be submitted to the compliance department for pre-clearance. MidCap Financial Capital Management’s legal and compliance department will first make a determination that the cross trade is fair and equitable to each client and identify any potential conflicts of interest. MidCap Financial Capital Management will effect these transactions without the use of third-party brokers, though such transactions will be based on the then-current market prices (to the extent available) and consistent with the valuation procedures established by MidCap Financial Capital Management. Cross trades involving loans are executed at fair market value, as determined by MidCap Financial Capital Management in accordance with its relevant policies and procedures. Any cross trade will be consistent with applicable law, MidCap Financial Capital Management’s fiduciary obligations to act in the best interests of its clients’ applicable contractual requirements and the clients’ investment objectives.

To the extent that any transaction described above are viewed as a principal transaction due to MidCap Financial Capital Management's or its affiliates' ownership interest in a particular CLO (or as an "agency cross trade") within the meaning of Section 206(3) of the Advisers Act, MidCap Financial Capital Management will either not effect such transaction or will effect them in a manner that complies with the requirements of Section 206(3) of the Advisers Act, MidCap Financial Capital Management's internal policies and procedures and applicable client governing documents. Specifically, in addition to the client consent requirement discussed above, MidCap Financial Capital Management's investment professionals must provide notice to, and obtain the approval of, the Chief Compliance Officer or designee and a member of the legal department, prior to executing such a trade. When reviewing a proposed principal trade, cross trade, or affiliate trade, the Chief Compliance Officer or designee shall confirm, among other things: (i) that such trade is allowed by the applicable client's investment guidelines, (ii) that MidCap Financial Capital Management's valuation procedures were followed when pricing the transaction, including obtaining a third-party valuation when appropriate, (iii) in the case of principal trades involving a CLO or CLO Warehouse, that notice of the specific trade was provided to the CLO or CLO Warehouse and written consent from the CLO or CLO Warehouse or such CLO or CLO Warehouse's Independent Review Party was obtained, and (iv) in the case of principal trades involving a CMI under the AISG Sub-Advisory Agreement, that notice of the specific trade was provided to AISG and written consent from AISG was obtained.

Because most of the assets in which clients invest are not publicly traded, the value of such assets can be difficult to determine, and this difficulty can be exacerbated when markets are unusual, volatile or dislocated. MidCap Financial Capital Management seeks to value such assets in good faith and in accordance with its valuation policy. Such good faith valuations require the application of a significant amount of judgment, are inherently uncertain, will fluctuate and are often based on estimates and assumptions. MidCap Financial Capital Management's determination of the fair value of an asset could ultimately differ materially from the values that would have been applied if an active market for the asset existed and from the price at which such asset is ultimately sold (if relevant). Differences in fair value and actual sale value can adversely impact clients. Depending on a variety of factors, including compensation arrangements, MidCap Financial Capital Management will face conflicts of interest in making judgments as to valuation to the extent that a relatively higher or lower assigned valuation would benefit MidCap Financial Capital Management.

### **Financial Interest of MidCap Financial Capital Management and its Affiliates in the CLOs**

MidCap Financial Capital Management and its affiliates invest in the CLOs. MidCap Financial Capital Management or one of its affiliates generally intends to hold an interest in the securities of each of the CLOs it manages sufficient to satisfy the United States and European Union risk retention requirements promulgated under the Risk Retention Rules. MidCap Financial Capital Management's or its affiliate's purchase of such securities in the CLOs it manages will often give MidCap Financial Capital Management or its affiliates majority control positions in the equity securities of these CLOs. Any such control position or investment in these equity securities can give MidCap Financial Capital Management an incentive to take actions that conflict with the interests of the holders of the CLO's debt securities. Particularly, MidCap Financial Capital Management and its affiliates could have voting rights, including control rights, with respect to matters as to which the holders of securities are entitled to vote, including, without limitation, any

vote to direct a redemption or refinancing and any vote to accelerate or not to accelerate the payment of certain CLO securities. In addition, MidCap Financial Capital Management, any of its affiliates and any CLO managed or advised by MidCap Financial Capital Management or its affiliates could at any time acquire CLO securities in any other CLO, and MidCap Financial Capital Management could own a higher percentage of CLO securities in one CLO versus another CLO advised by MidCap Financial Capital Management. MidCap Financial Capital Management and any such person acquiring such securities will act in their own interests with respect to such securities and even if such interests conflict with or are adverse to the interests of other holders of securities in such CLOs. MidCap Financial Capital Management will not take into account its ownership interest in any CLO when making allocation decision for any particular investment. See Item 6, “Performance-Based Fees and Side-By-Side Management.”

## **ITEM 12**

### **Brokerage Practices**

MidCap Financial Capital Management seeks “best execution” for client transactions. Best execution generally refers to the execution of portfolio transactions in such a manner that total cost or proceeds in each transaction is the most favorable under the circumstances. The SEC defines best execution to include “qualitative considerations,” not merely the lowest possible execution cost. In most cases, transactions undertaken on behalf of clients are private transactions not involving a broker or dealer.

To the extent it is necessary to engage a broker-dealer to execute client transactions, MidCap Financial Capital Management would expect to consider various factors, including, but not limited to:

- Execution capability;
- Transaction charges such as spreads;
- Financial responsibility and responsiveness in selecting brokers;
- Access to particular markets or instruments;
- Overall costs of a transaction (*i.e.*, net price paid or received) including commissions, mark-ups, mark-downs or spreads and other current transaction costs;
- Reputation, financial strength and stability;
- Quality of execution (including accurate and timely execution, settlement, clearance and dispute resolution);
- Willingness to execute difficult transactions; and
- Market intelligence regarding trading activity.

In addition to the general factors considered as listed above, there are several additional factors and circumstances that MidCap Financial Capital Management considers when selecting a broker-dealer in the leveraged loan market, including

- *Relevant Market Place.* The senior secured loan market, and to a lesser extent the high-yield bond market, is not traded on an exchange where current asset prices are readily

available. Further, the senior secured loan market is a private market in which the level of information known by dealers and various investors ranges significantly. MidCap Financial Capital Management strives to maintain solid relationships and information flow with not just the “top-tier” dealers, but substantially all of the active dealers in the market.

- *Liquidity.* Certain investments are highly illiquid, whereby very few dealers are able to make a market in the security or instrument. Further, a dealer might be one-sided (only has an offer or a bid) for a particular position.
- *Assignment Fees.* In some cases, the transfer of a senior secured loan entails the payment an assignment fee to the administrative agent. Depending on the size of the trade and the number of funds the asset will be allocated to/from, these fees can be significant.
- *Trade Limitations.* Several factors can preclude the ratable allocation of a trade of a senior secured bank loan among several funds, including minimum hold levels.
- *Agent Bank Considerations.* In addition to the possibility of eliminating assignment fees, there are other potential benefits (or disadvantages) to trading with (or away from) the administrative agent. All trades are disclosed to the trading desk of the administrative agent and allocations of primary transactions are generally favored to those accounts which provide high and consistent trading volume with the administrative agent. Further, the administrative agent typically is the most knowledgeable dealer regarding the trading of an asset, understands who the buyers and sellers are and can provide the “early look” when a certain asset is trading;
- *Idea Generation.* When trading in dealer markets, MidCap Financial Capital Management values the insight and research of its dealers. To the extent a dealer provides valuable trade information or insight into a credit, MidCap Financial Capital Management might prefer to execute the trade with that dealer, provided the price is within its understanding of market levels; and
- *Complexity of the Asset or Transaction.* Transactions in senior secured bank loan assets, in particular, can be very complex, requiring an understanding of trading levels and features of numerous tranches and structural differences among the financial instruments of a particular issuer. It is important to transact with dealers that understand these factors.

MidCap Financial Capital Management and its service providers do not currently (although they could in the future) make use of soft dollar arrangements, including commission sharing arrangements where brokerage business is promised, or credits from brokerage transactions are earned and used, in exchange for proprietary or third-party services. Additionally, MidCap Financial Capital Management or a service provider will receive research, products and services in the ordinary course, without regard to any trading on behalf of MidCap Financial Capital Management’s CLO clients. These services are made available on an unsolicited basis, without regard to the rates of commissions charged or paid by MidCap Financial Capital Management’s CLO clients or the volume of business directed to such broker-dealers. To the extent that client brokerage commissions (or markups or markdowns) are used in this manner, MidCap Financial Capital Management or a service provider receives a benefit to the extent that it does not need to

produce or pay for the research, brokerage products or other services received. MidCap Financial Capital Management or a service provider would have an incentive to select or recommend a broker-dealer based on its interest in receiving research or brokerage products or other services, rather than on its clients' interest in receiving the most favorable execution.

### **Order Aggregation**

If MidCap Financial Capital Management determines that the purchase or sale of an asset is in the best interest of more than one client, MidCap Financial Capital Management is generally permitted, but not obligated, to aggregate orders. However, given the nature of the transactions typically undertaken on behalf of clients, aggregation generally is not expected to impact transaction costs. Aggregated orders will be allocated among clients according to MidCap Financial Capital Management's allocation procedures, as described in Item 6.

## **ITEM 13**

### **Review of Accounts**

The accounts of each CLO or CLO Warehouse managed by MidCap Financial Capital Management will be reviewed on an ongoing basis by MidCap Financial Capital Management and on a periodic basis by the treasury and finance departments along with the investment professionals. Reviews will assess overall portfolio strategies, performance and compliance with the CLO indentures. Primary responsibility for the execution of these roles resides with the finance department senior executives, under the supervision of the Chief Executive Officer.

The trustee of each CLO provides investors with monthly and quarterly written reports as described in the indenture for each CLO. MidCap Financial Capital Management can also furnish reports to the trustees of the CLOs for which it provides investment advisory services.

## **ITEM 14**

### **Client Referrals and Other Compensation**

In the ordinary course of business, MidCap Financial Capital Management or a related person can send corporate gifts or pay for meals and entertainment (such as attending cultural or sporting events) for individuals of firms that do business with MidCap Financial Capital Management or its affiliates. MidCap Financial Capital Management employees also can be the recipients of corporate gifts, meals and entertainment in connection with their employment. As discussed in Item 11, the giving and receipt of gifts and other benefits are subject to limitations under the Code.

MidCap Financial Capital Management or its affiliates pay fees to consultants for their advice and services, industry information or data, or conference attendance. Sometimes, these consultants assist in identifying prospective clients or investors.

## **ITEM 15**

### **Custody**

A related person of MidCap Financial Capital Management serves as the administrative agent ("Agent") for certain loans held by the Adviser's clients, with funds related to such loans and

attributable to clients (“Client Funds” related to “Client Loans”) commingled in an account established by the Agent for that purpose (the “Agent Account”) with funds attributable to other lenders (including affiliates of MidCap Financial Capital Management) and/or related to other loans (“Other Funds” and “Other Loans”). The Agent Account is held with a bank in the Agent’s name and holds only cash and not loans. No account statements for the Agent Account are provided to MidCap Financial Capital Management clients.

In its role as Agent, MidCap Financial Capital Management’s affiliate performs a variety of traditional services pursuant to credit agreements in accordance with negotiated guidelines regarding the movement of cash into and out of the Agent Account for such purposes as collecting and distributing loan proceeds or payments). The Agent must apply the terms of the credit agreement in dealing with funds related to the loans and has no authority to determine how such funds are used, allocated or disbursed; however, other than the terms of the credit agreements, nothing prevents the Agent from withdrawing cash from the Agent account for unrelated purposes.

In light of SEC Staff guidance, MidCap Financial Capital Management considers itself to have custody over the Client Funds in the Agent Account for purposes of Rule 206(4)-2 under the Advisers Act.

Other than as described above, none of MidCap Financial Capital Management, the Agent or any other affiliate is expected to maintain physical custody of client assets. Rather such assets are held by the trustee or collateral administrator of each CLO. As noted in Item 13, the trustee of each CLO provides investors in the CLO with periodic reports on the composition and performance of the CLO. Investors should carefully review these reports. Additionally, to the extent MidCap Financial Capital Management were to act as the general partner, managing member or in a similar capacity, or otherwise to have custody of the assets of client that is a pooled investment vehicle (e.g., a private fund), MidCap Financial Capital Management will engage independent public accountants to audit the financial statements of the private fund and distribute those audited financial statements to the limited partners or members of the private fund within 120 days of the private fund’s fiscal year end and upon liquidation of the private fund. Additionally, the CLO trustee receives from account custodians, other than the Agent Account custodian, account statements on a quarterly basis reviews those statements in connection with the periodic reports described in Item 13.

## **ITEM 16**

### **Investment Discretion**

MidCap Financial Capital Management generally receives and exercises discretionary authority to manage investments on behalf of each CLO or CLO Warehouse for which it provides investment advisory services through the CLO Governing Documents. MidCap Financial Capital Management is subject to any investment restrictions regarding the management of the assets of the CLO (e.g., concentration limits, credit quality) set forth in such documents. Midcap Financial Capital Management does not exercise investment discretion under the AISG Sub-Advisory Agreement. In connection with any recommendation of an investment in a CMI identified by MidCap Financial Capital Management pursuant to the AISG Sub-Advisory Agreement or any future similar arrangements, MidCap Financial Capital Management will provide a summary of the investment to potential investors (or to the adviser for whom MidCap Financial Capital

Management is providing sub-advisory services) who should read such summary carefully and consult with their tax, legal and financial advisors before making any investment decision.

## **ITEM 17**

### **Voting Client Securities**

The Governing Documents of each CLO govern the extent to which MidCap Financial Capital Management has authority to vote, without investor guidance, on modifications to terms and covenants of loans held by the CLO. MidCap Financial Capital Management can have conflicts of interest in exercising voting authority where, for example, MidCap Financial Capital Management has a substantial business relationship with a company and the failure to vote in favor of company management could harm MidCap Financial Capital Management's relationship with company management. Conflicts also arise in the event a senior executive of a company and principal of MidCap Financial Capital Management or one of its affiliates have a significant personal relationship that could affect how the adviser would vote on a matter relating to the company.

Given the CLOs' investments, it is not expected that MidCap Financial Capital Management will be called upon to vote any proxies. In the event MidCap Financial Capital Management is required to vote proxies on behalf of clients, it will do so in a manner that is in the best interests of its clients and in accordance with proxy voting policies that will be adopted. For example, if a MidCap Financial Capital Management representative sits on the board of directors of a company that is the subject of a proxy, the Chief Compliance Officer or designee will undertake a review prior to any vote by the proxy recipient to determine whether a material conflict of interest exists between MidCap Financial Capital Management and the interests of its client or between MidCap Financial Capital Management and the company shareholders. In the event that a material conflict of interest is identified, the Chief Compliance Officer or the MidCap Financial Capital Management investment manager or designee will take such steps as he or she deems necessary in order to determine how to vote the proxy in the best interests of the client, including, but not limited to, consulting with the legal department, outside counsel, a proxy consultant or the investment professionals responsible for the relevant portfolio investment. In each instance, when exercising its voting discretion, MidCap Financial Capital Management seeks to avoid any direct or indirect conflict of interest between its clients and its voting decision.

Clients can request from MidCap Financial Capital Management a copy of the proxy voting policies and procedures and a record of how proxies have been voted.

## **ITEM 18**

### **Financial Information**

Not Applicable.