

**Item 1. Cover Page**

**HALSEYPOINT ASSET MANAGEMENT, LLC**  
(the “Adviser”)

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**Part 2A of Form ADV**  
(the “Brochure”)

March 29, 2020

This Brochure provides information about the qualifications and business practices of the Adviser. If you have any questions about the contents of this Brochure, or to request a current copy of it free of charge, please contact Yvonne Stevens at 424-220-6450 or [YStevens@halseypoint.com](mailto:YStevens@halseypoint.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

## **Item 2. Material Changes**

This Brochure serves as an update to the previous one dated November 5, 2019. There are no material changes from the prior version. Investors and prospective investors are encouraged to read this Brochure in its entirety.

### **Item 3. Table of Contents**

<b>Item 1. Cover Page .....</b>	<b>1</b>
<b>Item 2. Material Changes.....</b>	<b>2</b>
<b>Item 3. Table of Contents.....</b>	<b>3</b>
<b>Item 4. Advisory Business .....</b>	<b>4</b>
<b>Item 5. Fees and Compensation .....</b>	<b>4</b>
<b>Item 6. Performance Based Fees and Side by Side Management .....</b>	<b>5</b>
<b>Item 7. Types of Clients .....</b>	<b>6</b>
<b>Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>6</b>
<b>Item 9. Disciplinary Information .....</b>	<b>28</b>
<b>Item 10. Other Financial Industry Activities and Affiliations.....</b>	<b>28</b>
<b>Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>28</b>
<b>Item 12. Brokerage Practice .....</b>	<b>32</b>
<b>Item 13. Review of Accounts.....</b>	<b>34</b>
<b>Item 14. Client Referrals and other Compensation .....</b>	<b>34</b>
<b>Item 15. Custody .....</b>	<b>34</b>
<b>Item 16. Investment Discretion.....</b>	<b>35</b>
<b>Item 17. Voting Client Securities .....</b>	<b>35</b>
<b>Item 18. Financial Information.....</b>	<b>35</b>

#### **Item 4. Advisory Business**

The Adviser, a Delaware limited liability company, is an investment advisory firm with its principal place of business in El Segundo, California. The Adviser commenced operations in March 2019. The Adviser is wholly owned by its member, HalseyPoint Holdco, LLC (“Holdco”), a Delaware limited liability company. Holdco is owned by HP Acquisition LLC (“HP Acquisition”) and PACA-Halsey, LLC (“PACA”). HP Acquisition is owned by Ms. Hopton and Ms. Stevens and they serve as the co-managing members (the “Members”) of HP Acquisition, Holdco and the Adviser. PACA is owned by Advantage Capital Holdings LLC (“A-CAP”); Kenneth King is the controlling member of A-CAP.

The Adviser provides discretionary investment advisory services to its clients, which are pooled investment vehicles (the “Funds” or the “Clients”) intended for institutional and other sophisticated investors. In certain cases, Funds will be organized as issuers of collateralized loan obligations (“CLOs”). Currently, the Adviser has two clients, one of which is a warehouse vehicle (the “Warehouse”) which it treats as a preliminary CLO and as a pooled investment vehicle. The other Client is a CLO, HalseyPoint CLO I, Ltd.

Each CLO issuer issues rated notes (“Senior Notes”) and non-rated notes (“Equity”, and, together with the Senior Notes, the “Notes”) pursuant to the terms and conditions of an indenture (“Indenture”). The Senior Notes issued by each CLO are secured by a portfolio consisting primarily of leveraged loans selected and managed by the Adviser.

The Adviser will generally have broad and flexible investment authority with respect to each Client’s investment portfolio. It will provide investment advisory services to the Clients based on each Client’s specific investment objectives and strategies. The Adviser will not tailor its advisory services to the individual needs of investors. Each Client may have investment restrictions on investing in certain securities or other assets, to the extent that such securities are outside of the applicable Client’s existing investment program.

Entities managed by the Adviser have in the past, and in the future, serve as warehouse or risk retention vehicles for CLOs to accumulate loans intended to satisfy the Adviser’s risk retention obligations or to be transferred to a CLO upon its launch. Such entities will be capitalized by third parties, the Adviser and/or the Adviser’s affiliates or their respective principals, officers, employees or family members (collectively, “Related Parties”).

Currently, the Adviser has regulatory assets under management (“RAUM”) of \$ 553,798,999, managed on a discretionary basis.

#### **Item 5. Fees and Compensation**

The fees and expenses that will be applicable to an investment are set forth and agreed to in each Client’s governing documents, which may include a private offering memorandum, subscription and operating agreement, and investment management agreement or other agreements (collectively, the “Offering Documents”). Investors and prospective investors must carefully review the Offering Documents of the Client in which they are invested or may invest, to review the specific fees and expenses applicable to their investment.

The Adviser receives a Portfolio Management Fee for its investment management services to the CLOs and to the Warehouse. The Portfolio Management Fee is an amount equal to the product of 0.45% per annum (calculated on the basis of a 360-day year and the actual number of days elapsed during the related payment period) of the Fee Basis Amount (as defined in the CLO’s and Warehouse’s Portfolio Management Agreements). Further, the Adviser shall be entitled to reimbursement for ordinary expenses incurred in the

performance of its obligations under the Offering Documents related to the CLO and Warehouse. In addition, the Adviser may be entitled to an incentive fee on the CLO equity if certain return of investment plus a minimum rate of return is reached.

#### *Special Rights of or Relationships with Certain Investors and other Parties*

The Adviser and its Related Parties from time to time engage in transactions with prospective and actual investors, counterparties and service providers which will produce economic benefits to such parties. Such transactions can be entered into prior to, during the term of, or after admission as a Client or investor. The nature of such transactions is expected to be diverse and are expected to include benefits or special rights related to the Funds (including CLOs) and investments. Examples include, without limitation, the ability to co-invest and fee sharing, and can include the grant of different economic terms, co-investment rights, fees or redemption terms or additional or supplemental reporting or portfolio information. The Adviser has no obligation to offer all such additional rights, terms or conditions to any other Client, Note holder or investor.

From time to time the Adviser may enter into arrangements to waive or rebate portions of the management fee. No holder of Notes will have the right to review or to receive the economic or other benefits of any such arrangement to which such holder is not a party. Such arrangements may affect the incentives of the Adviser in managing the collateral obligations and may also affect the incentives of the relevant holders of Notes in taking actions that such holders may be permitted to take under the indenture and the management agreement, including votes concerning amendments to the transaction documents and the removal for “cause” of the Adviser.

The Adviser may only be removed for “cause,” notwithstanding any losses that Holders may realize upon their investments in Notes. The Adviser and its Related Parties and their respective management teams are expected to have pre-existing and ongoing relationships with certain Clients, investors, Note holders or counterparties or have a financial interest in obligors or issuers of securities or interests held in Client portfolios. Such relationships or positions could result in a benefit to such investors or Clients which are not available to other Clients or investors. While the Adviser makes investments which it determines in its reasonable discretion to be for the benefit of participating Clients, in this case, such investments will not be for the exclusive benefit of participating Clients but will also benefit other Clients, investors or Note holders or the Adviser and its Related Parties.

Some Clients, investors or Note holders, and prospects, request and receive, at the sole discretion of the Adviser, more specific and detailed portfolio information concerning the portfolio and strategy and specific investments in the portfolio, than is routinely provided to other Clients, investors or Note holders. When the Adviser chooses to provide such information, and it does so with no obligation or commitment to update, correct inaccuracies or provide the same information to all investors or Clients. Similarly, the Adviser has no obligation to provide written commentary, research or other communications or analysis provided to one or more Clients or investors, to other Clients and/or investors.

#### **Item 6. Performance Based Fees and Side by Side Management**

As discussed in Item 5, the Adviser will be paid performance-based fees by the Funds.

The receipt of performance-based compensation creates a potential conflict of interest between the Adviser’s interest to generate revenue for itself, and its personnel and affiliates, and the interests of Clients and investors (including Note holders). Specifically, performance-based fee arrangements create an incentive for the Adviser to make investments that are considered riskier or more speculative than those that would be otherwise recommended under a different fee arrangement.

## **Item 7. Types of Clients**

As described in Item 4 “Advisory Business”, the Adviser advises Funds, which include CLOs. Currently, the Adviser’s only clients are the Warehouse and HalseyPoint CLO I, Ltd.

Any initial and additional subscription minimums for investors will be disclosed in the Offering Documents.

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

The Adviser employs an investment approach based on fundamental credit analysis along with active portfolio management. The Adviser identifies investment opportunities in the markets through industry and company analysis using research management technology, information from borrowers, underwriters, sales and trading desks as well as other industry participants.

In evaluating potential investments, the Adviser typically considers, among other things, any of the following: industry dynamics, competitive environments, performance history and prospects, investment sponsors and quality of management, free cash flow, projected cash flow, quality and value of underlying collateral, downside protection and relative value opportunities within a borrower’s capital structure and the market. As part of the research process for certain investments, the Adviser can, in its discretion utilize third-party firms to conduct accounting, tax, valuation, legal, environmental and/or other diligence. In connection with implementing its opportunistic credit-focused investment strategy, it considers investments in bank loans, senior and subordinated bonds, revolvers, bridge loans and credit default swaps, consistent with Offering Documents. It is active in both the primary and secondary credit markets.

### **Risk Factors**

Although the Adviser’s investment strategies emphasize a proactive credit discipline, there can be no assurance that its investment strategies will be successful, that Clients will achieve their investment objectives or that losses will not occur. Investing involves significant risks and is suitable only for persons who can bear the economic risk of the loss of their entire investment, have a limited need for liquidity in their investment and meet the conditions set forth in Offering Documents. There can be no guarantee that a particular level of return will be achieved. Accordingly, Clients and investors should give careful consideration to the following risk factors in evaluating the merits and suitability of the Adviser’s strategies. The following should not be considered and does not purport to be a summary of all the risks associated with the Adviser’s investment strategies. Rather the following are risks which the Adviser reasonably believes to be material or unique relative to the particular investment strategies or methods the Adviser employs. A description of risks relevant to a Client can be found in the final confidential offering circular or other Offering Documents. Clients investors and Note holders should consult their own legal, tax and financial advisors, prior to making an investment in a Fund, or engaging the Adviser as a manager. The definitions of capitalized but not defined terms herein can be found in the Offering Documents of any individually offered CLO. The Adviser is referred to as the “Portfolio Manager” in these sections.

An investment in the Notes involves certain risks, including risks related to assets securing the Notes and risks relating to the structure of the Notes and related arrangements. There can be no assurance that the Issuer will not incur losses on the Assets or that investors in the Notes will receive a return of any or all of their investment. Prospective investors should carefully consider, among other things, the following risk factors, in addition to the matters set forth elsewhere in the Offering Documents, prior to investing in the Notes.

### **General Economic Risks**

*Illiquidity in the CLO, leveraged finance and fixed income markets may affect the holders of the Notes.*

During the financial crisis, the collateralized loan obligation (“CLO”), leveraged finance and fixed income markets contributed to and were adversely affected by a severe liquidity crisis in the global credit markets. There have also been at times substantial fluctuations in prices for leveraged loans and limited liquidity for such instruments. No assurance can be made that the conditions giving rise to such price fluctuations and limited liquidity will not continue or become more acute following the Closing Date. During periods of limited liquidity and higher price volatility, the Issuer's ability to acquire or dispose of Collateral Obligations at a price and time that the Issuer deems advantageous may be severely impaired. As a result, in periods of rising market prices, the Issuer may be unable to participate in price increases fully to the extent that it is unable to acquire desired positions quickly; and the Issuer's inability to dispose fully and promptly of positions in declining markets will cause its net asset value to decline and may exacerbate losses suffered by the Issuer when Collateral Obligations are sold. Furthermore, significant additional liquidity-related risks for the Issuer and investors in the Notes exist. Those risks include, among others, (i) the possibility that, after the Closing Date, the prices at which Collateral Obligations can be sold by the Issuer will have deteriorated from their effective purchase price, (ii) the possibility that opportunities for the Issuer to sell its assets in the secondary market, including Credit Risk Obligations, Credit Improved Obligations and Defaulted Obligations, may be impaired or restricted by the Indenture, and (iii) increased illiquidity of the Notes because of reduced secondary trading in CLO securities. These additional risks may affect the returns on the Notes to investors or otherwise adversely affect holders of the Notes.

Regardless of current or future market conditions, certain Collateral Obligations purchased by the Issuer will have only a limited trading market (or none). The Issuer's investment in illiquid debt obligations may restrict its ability to dispose of investments in a timely fashion and for a fair price, as well as its ability to take advantage of market opportunities. Illiquid debt obligations may trade at a discount from comparable, more liquid investments. In addition, adverse developments in the primary market for leveraged loans may reduce opportunities for the Issuer to purchase recent issuances of Collateral Obligations. More particularly, the ability of private equity sponsors and leveraged loan arrangers to effectuate new leveraged buy-outs and the ability of the Issuer to purchase such assets may be partially or significantly limited. There has been a recent increase in primary leveraged loan market activity, but there can be no assurance that such increase will persist or that the primary leveraged loan market will not return to its previous levels or cease altogether for a period of time. The impact of another liquidity crisis on the global credit markets may adversely affect the management flexibility of the Portfolio Manager in relation to the portfolio and, ultimately, the returns on the Notes to investors.

## **Relating to the Notes**

### ***The Notes may not be suitable for all investors.***

An investment in the Notes will not be appropriate for all investors. Structured investment products like the Notes are complex instruments, and typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. Any investor interested in purchasing Notes should conduct its own investigation and analysis of the product and consult its own professional advisers as to the risks involved in making such a purchase.

### ***The Notes will have limited liquidity and are subject to substantial transfer restrictions.***

Currently, no market exists for the Notes. The Placement Agent is not under any obligation to make a market for the Notes. The Notes are illiquid investments. There can be no assurance that any secondary market for any of the Notes will develop, or if a secondary market does develop, that it will provide the holders of the Notes with liquidity of investment or will continue for the life of the Notes. In the past, securities issued in securitization transactions experienced historically high volatility and significant fluctuations in market value. Additionally, some potential buyers of such securities now view securitization products as an inappropriate investment, thereby reducing the number of potential buyers and/or potentially

affecting liquidity in the secondary market. Holders of the Notes must be prepared to hold such Notes for an indefinite period of time or until their Stated Maturity. The Notes will not be registered under the Securities Act or any state securities or “blue sky” laws or under the securities laws of any other jurisdiction, and the Co-Issuers have no plans, and are under no obligation, to register the Notes under the Securities Act or any other state or foreign securities laws. As a result, the Notes are subject to certain transfer restrictions and can only be transferred to certain transferees. As described herein, the Issuer may, in the future, impose additional restrictions to comply with changes in applicable law. Such restrictions on the transfer of the Notes may further limit their liquidity.

***The Notes are not guaranteed by any Transaction Party.***

None of the Transaction Parties or any affiliate thereof makes any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) to any investor of ownership of the Notes, and no investor may rely on any such party for a determination of expected or projected success, profitability, return, performance result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) to any investor of ownership of the Notes. Each Holder will be required to represent (or, in the case of certain Global Notes, deemed to represent) to the Co-Issuers and the Placement Agent, among other things, that it has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors regarding investment in the Notes as it has deemed necessary and that the investment by it is within its powers and authority, is permissible under applicable laws governing such purchase, has been duly authorized by it and complies with applicable securities laws and other laws.

***The Notes are limited recourse obligations; investors in the Notes must rely on available collections from the Collateral Obligations and will have no other source for payment.***

The Notes are limited recourse obligations of the Issuer and the Co-Issued Notes are non-recourse obligations of the Co-Issuer; therefore, the Notes are payable solely from the proceeds of Collateral Obligations and all other Assets pledged by the Issuer to the Trustee for the benefit of the Secured Parties pursuant to the Indenture. None of the Transaction Parties (other than the Co-Issuers) or any of their respective affiliates or the Co-Issuers' affiliates or any other Person or entity will be obligated to make payments on the Notes. Consequently, holders of the Notes must rely solely on distributions on the Assets and, after an Event of Default, proceeds from the liquidation of the Assets for payments on the Notes. If distributions on such Assets or, after an Event of Default, proceeds from liquidation of the Assets, are insufficient to make payments on the Notes, no other assets (in particular, no assets of the holders of the Notes, the Transaction Parties or any affiliates of any of the foregoing) will be available for payment of the deficiency and all obligations of the Co-Issuers and any remaining claims against the Co-Issuers in respect of the Notes will be extinguished and will not thereafter revive. Each owner of Notes by its acceptance of such Notes will agree or be deemed to have agreed not to take any action or institute any proceedings against the Co-Issuers under any insolvency law applicable to the Co-Issuers or which would be likely to cause the Co-Issuers to be subject to, or to seek the protection of, any insolvency law applicable to the Co-Issuers.

The Issuer has agreed to provide the information contained in the Offering Documents, including its exhibits and attachments, and if an investor in the Notes were to commence litigation against the Issuer relating thereto any liability of the Issuer related thereto would be payable solely from the Assets of the Issuer. Further, any award or recourse related thereto would be payable as “Administrative Expenses” solely from the Collateral Obligations and all other Assets pledged by the Issuer to the Trustee for the benefit of the Secured Parties pursuant to the Indenture. If distributions on such Assets are insufficient to make payments on the Notes and such awards or recourse, no other assets (in particular, no assets of the Portfolio Manager, the Placement Agent, the Trustee, the Collateral Administrator or any affiliates of any



of the foregoing) will be available for payment of the deficiency. Administrative Expenses of the Issuer are senior (but subject to a cap in most instances) to other amounts owing by the Issuer. If the Issuer were required to pay any such amounts it could reduce or eliminate the ability of the Issuer to make payments to the holders of the Notes.

***The Subordinated Notes are unsecured obligations of the Issuer.***

The Subordinated Notes will not be secured by any of the Assets, and, while the Secured Notes are outstanding, holders of the Subordinated Notes will not generally be entitled to exercise remedies under the Indenture. However, in any case where the holders of the Subordinated Notes are entitled to take or direct any action, they may do so in their sole discretion without regard for the interests of the holders of any other Class of Notes. The Trustee will have no obligation to act on behalf of the holders of Subordinated Notes except as expressly provided in the Indenture. Distributions to holders of the Subordinated Notes will be made solely from distributions on the Assets after all other payments have been made pursuant to the Priority of Payments described herein. There can be no assurance that the distributions on the Assets will be sufficient to make distributions to holders of the Subordinated Notes after making payments that rank senior to payments on the Subordinated Notes. The Issuer's ability to make distributions to the holders of the Subordinated Notes will be limited by the terms of the Indenture. If distributions on the Assets are insufficient to make distributions on the Subordinated Notes, no other assets will be available for any such distributions.

***The Subordinated Notes are highly leveraged, which increases risks to investors in that Class.***

The Subordinated Notes represent a highly leveraged investment in the Assets. Therefore, the market value of the Subordinated Notes would be anticipated to be significantly affected by, among other things, changes in the market value of the Assets, changes in the distributions on the Assets, defaults and recoveries on the Assets, capital gains and losses on the Assets, prepayments on Assets and the availability, prices and interest rates of Assets and other risks associated with the Assets. Accordingly, the amount of distributions, if any, to be made on the Subordinated Notes may vary significantly from Payment Date to Payment Date for various reasons, and the Subordinated Notes may not be paid in full and may be subject to up to 100% loss. Furthermore, the leveraged nature of the Subordinated Notes may magnify the adverse impact on the Subordinated Notes of changes in the market value of the Assets, changes in the distributions on the Assets, defaults and recoveries on the Assets, capital gains and losses on the Assets, prepayments on Assets and availability, prices and interest rates of Assets.

Payments of Interest Proceeds to the Holders of the Subordinated Notes will not be made until due and unpaid interest on the Secured Notes and certain other amounts (including certain fees and expenses) have been paid. No payments of principal proceeds to the Holders of the Subordinated Notes will be made until principal of and interest on the Secured Notes and certain other amounts have been paid in full. On any Payment Date, sufficient funds may not be available (including as a result of a failure of any of the Coverage Tests or the Interest Diversion Test) to make payments to the holders of the Subordinated Notes in accordance with the Priority of Payments.

On any Payment Date following an Enforcement Event, all Interest Proceeds and Principal Proceeds will be allocated in accordance with the Special Priority of Payments pursuant to which the Secured Notes and certain other amounts owing by the Co-Issuers will be paid in full before any allocation to the Subordinated Notes, and each Class of Notes (along with certain other amounts owing by the Co-Issuers) will be paid in order of seniority until it is paid in full before any allocation is made to the next Class of Notes. If an Event of Default has occurred and is continuing while any of the Secured Notes are outstanding, the holders of the Subordinated Notes will not have any creditors' rights against the Issuer and will not have the right to determine the remedies to be exercised under the Indenture. There is no guarantee that any funds will remain to make distributions to the holders of subordinated Classes of Notes following

any liquidation of the Assets and the application of the proceeds from the Assets to pay senior Classes of Notes and the fees, expenses, and other liabilities payable by the Co-Issuers.

***The Assets may be insufficient to redeem the Notes in an Event of Default.***

It is anticipated that the proceeds received by the Issuer on the Closing Date from the issuance of the Notes, net of certain fees and expenses, will be less than the aggregate amount of Notes. Consequently, it is anticipated that on the Closing Date the Assets would be insufficient to redeem all of the Secured Notes and the Subordinated Notes in the event of an Event of Default under the Indenture.

***The Reinvestment Period may terminate early.***

The Reinvestment Period may terminate early if any of the following occur: (a) the occurrence and continuation of an Enforcement Event, (b) an Optional Redemption (other than an Optional Redemption as part of a Refinancing) or (c) the date on which any Reinvestment Special Redemption is completed. Early termination of the Reinvestment Period could adversely affect returns to the Subordinated Notes and amounts of cash flow available to make interest payments on other Classes of Notes, and may also cause the holders of Notes to receive principal payments earlier than anticipated and at a time when reinvestments that offer the same level of return may not be available to holders.

***The Portfolio Manager may reinvest Eligible Post-Reinvestment Proceeds after the end of the Reinvestment Period.***

After the end of the Reinvestment Period, the Portfolio Manager may still reinvest Eligible Post-Reinvestment Proceeds, subject to certain conditions. Reinvestment of Eligible Post-Reinvestment Proceeds will likely have the effect of extending the Weighted Average Life of the Collateral Obligations and the average lives of the Notes and increasing the Fee Basis Amount resulting in increased payment of compensation to the Portfolio Manager.

***The Indenture requires mandatory redemption of the Secured Notes for failure to satisfy Coverage Tests and in the event of a Moody's Ramp-Up Failure.***

If any Coverage Test with respect to any Class or Classes of Secured Notes is not satisfied on any Determination Date on which such Coverage Test is applicable, or a Moody's Ramp-Up Failure occurs and is continuing, Interest Proceeds that otherwise would have been paid or distributed to the holders of the Notes of each Class (other than Class A Notes and Class B Notes) that is subordinated to such Class or Classes and (during the Reinvestment Period and with respect to Eligible Post-Reinvestment Proceeds, after the Reinvestment Period) Principal Proceeds that would otherwise have been reinvested in Collateral Obligations will instead be used to redeem the Secured Notes of the most senior Class or Classes then outstanding (or, if a Moody's Ramp-Up Failure has occurred, may be used to acquire additional Collateral Obligations), in each case in accordance with the Priority of Payments, to the extent necessary to satisfy the applicable Coverage Tests and/or the Moody's Ramp-Up Failure (as the case may be). This could result in an elimination, deferral or reduction in the payments of Interest Proceeds to the holders of the Deferred Interest Secured Notes and/or Subordinated Notes, as the case may be. In addition, a mandatory redemption of Secured Notes owing to a Moody's Ramp-Up Failure could result in the Portfolio Manager causing the Issuer to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Obligations sold, or result in the average life of a Class of Notes to be shorter than would otherwise be the case.

***The Secured Notes are subject to Special Redemption based on inability to identify Collateral Obligations.***

The Secured Notes will be subject to special redemption in part by the Co-Issuers or the Issuer, as applicable, on any Redemption Date during the Reinvestment Period if the Portfolio Manager notifies the Trustee that it has been unable, for a period of at least 30 consecutive Business Days, to identify additional Collateral Obligations that are deemed appropriate by the Portfolio Manager and which would meet the criteria for reinvestment in sufficient amounts to permit the investment or reinvestment of all or a portion of the funds then in the Collection Account that are to be invested in additional Collateral Obligations. Any such notice will be based upon the Portfolio Manager having attempted, in accordance with the standard of care set forth in the Portfolio Management Agreement, to identify additional Collateral Obligations as described above. On the Special Redemption Date, in accordance with the Indenture, the amount relating to such Special Redemption will be applied under the Priority of Proceeds to pay the principal of the Secured Notes. The application of funds in that manner could result in an elimination, deferral or reduction of amounts available to make distributions on the Subordinated Notes. Upon the completion of any Reinvestment Special Redemption described above, the Reinvestment Period will terminate.

***Additional issuances of Notes may have different terms and may have the effect of preventing the failure of the Coverage Tests and the occurrence of an Event of Default.***

At any time during the Reinvestment Period (or, in the case of a Risk Retention Issuance or an issuance of Subordinated Notes and/or Junior Mezzanine Notes only, during or after the Reinvestment Period), the Co-Issuers or the Issuer, as applicable, may issue and sell additional notes, including additional Notes of any one or more existing Classes, and use the net proceeds to purchase additional Collateral Obligations or for other purposes permitted under the Indenture if the conditions for such additional issuance and/or incurrence are satisfied. No assurance can be given that the issuance of additional notes having different interest rates than any Class of Notes may not adversely affect the holders of any Class of Notes. In addition, the use of such additional issuance and/or incurrence proceeds as Principal Proceeds or Interest Proceeds may have the effect of causing a Coverage Test that was otherwise failing to be cured or modifying the effect of events that would otherwise give rise to an Event of Default and permit the Controlling Class to exercise remedies under the Indenture.

***Contributions may have the effect of preventing the failure of the Coverage Tests and the occurrence of an Event of Default.***

Subject to the acceptance of a Contribution with the consent of the Portfolio Manager, a Contributor may, from time to time, designate as a Contribution any portion of Interest Proceeds or Principal Proceeds that would otherwise be distributed to such Holder or contribute cash to the Issuer. Use of a Contribution as Principal Proceeds may have the effect of causing a Coverage Test that was otherwise failing to be cured or modifying the effect of events that would otherwise give rise to an Event of Default. Because Contribution Repayment Amounts are paid under the Priority of Payments prior to distributions on the Subordinated Notes, payment of such Contribution Repayment Amounts will decrease the amount of proceeds otherwise available for distributions on Subordinated Notes on each Payment Date until such amounts are paid in full.

***The Controlling Class will control many rights under the Indenture and therefore, holders of the subordinated Classes will have limited rights in connection with an Event of Default, Enforcement Event or distributions thereunder.***

Under the Indenture, many rights of the holders of the Notes will be controlled by a Majority of the Controlling Class. Remedies pursued by the holders of the Controlling Class upon an Event of Default could be adverse to the interests of the holders of Notes subordinated to the Controlling Class. After any Enforcement Event, all Interest Proceeds and Principal Proceeds will be allocated in accordance with the Special Priority of Payments pursuant to which the Secured Notes and certain other amounts owing by the Co-Issuers will be paid in full before any allocation to the Subordinated Notes, and each Class of Notes

(along with certain other amounts owing by the Co-Issuers) will be paid in order of seniority until it is paid in full before any allocation is made to the next Class of Notes. If an Event of Default has occurred and is continuing, the holders of the Subordinated Notes will not have any creditors' rights against the Issuer and will not have the right to determine the remedies to be exercised under the Indenture. There is no guarantee that any funds will remain to make distributions to the holders of subordinated Classes of Notes following any liquidation of the Assets and the application of the proceeds from the Assets to pay senior Classes of Notes and the fees, expenses, and other liabilities payable by the Co-Issuers.

***The Co-Issuers may modify the Indenture by amendments or supplemental indentures, and some amendments or supplemental indentures do not require consent of holders of Notes.***

The Indenture provides that the Co-Issuers and the Trustee may enter into amendments or supplemental indentures to modify various provisions of the Indenture. Execution of amendments or supplemental indentures is subject to various conditions precedent. In certain cases, the consent of holders of Notes is required, but, in certain other cases, such consent is not required or is only required from less than 100% of a Class that would be materially and adversely affected by the amendment or supplemental indenture.

***The Notes are subject to Optional Redemption, Clean-Up Optional Redemption and Tax Redemption in whole or in part by Class.***

The Secured Notes will be redeemable by the Co-Issuers or the Issuer, as applicable, on any Redemption Date after the Non-Call Period, at the written direction of the Portfolio Manager or a Majority of the Subordinated Notes (with the consent of the Portfolio Manager). Based upon such written direction, (i) the Secured Notes will be redeemed in whole (with respect to all Classes of Secured Notes) but not in part from Sale Proceeds and/or Refinancing Proceeds or (ii) the Secured Notes will be redeemed in part by Class from Refinancing Proceeds (so long as any Class of Secured Notes to be redeemed represents not less than the entire Class of such Secured Notes). The Portfolio Manager or a Majority of the Subordinated Notes (with the consent of the Portfolio Manager) may cause the Subordinated Notes to be redeemed in whole on any Redemption Date on or after the date on which all of the Secured Notes has been redeemed or repaid.

Additionally, all of the Notes may be subject to a Clean-Up Optional Redemption by the applicable Co-Issuers from Sale Proceeds on any Redemption Date after the Non-Call Period in whole (with respect to all Classes of Notes) but not in part at the written direction of the Portfolio Manager if the Aggregate Principal Balance of the Collateral Obligations is then less than [●]% of the Target Initial Par Amount as of any Measurement Date. The Notes shall also be redeemed on any Payment Date in whole but not in part at the written direction (delivered to the Trustee) of (x) a Majority of any Affected Class or (y) a Majority of the Subordinated Notes, in either case, following the occurrence of certain Tax Events. In the event of an early redemption, the holders of the Secured Notes and Subordinated Notes will be repaid prior to the respective stated maturity dates of such Notes. In addition, an Optional Redemption could require the Portfolio Manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the Collateral Obligations sold.

Refinancing Proceeds may be used in connection with either a redemption in whole of the Secured Notes or a redemption in part of the Secured Notes by Class. In the case of a Refinancing upon a redemption of the Secured Notes in whole but not in part, such Refinancing will only be effective if (i) the Refinancing Proceeds, all Sale Proceeds from the sale of Collateral Obligations and Eligible Investments in accordance with the procedures set forth in the Indenture, and all other available funds will be at least sufficient to redeem simultaneously the Secured Notes, in whole but not in part, and to pay all accrued and unpaid Administrative Expenses incurred in connection with such Refinancing (regardless of the Administrative Expense Cap), including the reasonable fees, costs, charges and expenses incurred by the Issuer, the Co-Issuer, the Trustee, the Placement Agent (or initial purchaser, as applicable), the Portfolio Manager and the

Collateral Administrator (including reasonable attorneys' fees and expenses) in connection with such Refinancing, (ii) the Sale Proceeds, Refinancing Proceeds and other available funds are used (to the extent necessary) to make such redemption, (iii) the agreements relating to the Refinancing contain limited recourse and non-petition provisions equivalent (*mutatis mutandis*) to those contained in the Indenture and (iv) the Portfolio Manager has consented to such Refinancing.

In the case of a Refinancing upon a redemption of the Secured Notes in part by Class, such Refinancing will only be effective if certain conditions are satisfied. If a Refinancing is obtained meeting the requirements of the Indenture, the Issuer and, at the direction of the Portfolio Manager, the Trustee shall amend the Indenture to the extent necessary to reflect the terms of the Refinancing and no further consent for such amendments shall be required from the holders of Notes other than a Majority of the Subordinated Notes directing the redemption. No assurance can be given that any such amendments to the Indenture or the terms of any Refinancing will not adversely affect the holders of any Class or Classes of Notes not subject to redemption (or, in the case of the Subordinated Notes, the holders of the Subordinated Notes who do not direct such redemption).

The Issuer's ability to conduct a Refinancing may be impaired or limited as a result of the U.S. Risk Retention Rules if the U.S. Risk Retention Rules become applicable to the Portfolio Manager for purposes of this transaction following the Closing Date.

***The Re-Pricing Eligible Classes are subject to Re-Pricing.***

On any Business Day after the Non-Call Period, at the direction of the Portfolio Manager or a Majority of the Subordinated Notes (with the consent of the Portfolio Manager), the Issuer (or the Portfolio Manager on its behalf) shall be entitled, in the case of any Re-Pricing Eligible Class to reduce the spread over the Reference Rate (or, in the case of the Fixed Rate Notes, fixed interest rate) applicable to such Re-Pricing Eligible Class of Secured Notes; *provided* that in the case of a Re-Pricing Amendment directed by the Portfolio Manager, a Majority of the Subordinated Notes has not objected to the terms of the Re-Pricing Amendment in writing within seven days of the Re-Pricing Proposal Notice. Such Re-Pricing Amendment could occur for example, if interest rates on investments similar to any Re-Pricing Eligible Class fall below current levels and may occur at a time when the applicable Re-Pricing Eligible Class is trading in the market at a premium. The exercise of the Re-Pricing Amendment option may reduce or eliminate such premium on such Class of Secured Notes, as applicable, and may occur at a time when other investments bearing the same rate of interest relative to the level of risk assumed may be difficult or expensive to acquire.

Any holder of a Re-Pricing Affected Class that elects not to participate in the proposed Re-Pricing Amendment will be required to sell its Notes at the applicable Redemption Price to a transferee specified by or on behalf of the Issuer. A Re-Pricing could occur at a time when the Notes of a Re-Pricing Eligible Class may be trading at a premium and when other investments bearing the same rate of interest may be difficult or expensive to acquire. A Re-Pricing may also result in a shorter investment than a holder of the Notes of a Re-Pricing Eligible Class may have anticipated. The consequences to such non-consenting holder of such a sale will be similar to that of an early redemption of the Notes of a Re-Pricing Eligible Class held by such holder.

A U.S. Holder that continues to own Notes of a Re-Pricing Affected Class following a Re-Pricing may be deemed, under Section 1001 of the Code, to have exchanged such Notes prior to the Re-Pricing for newly issued Notes instruments. Therefore, as a result of having so participated in the Re-Pricing, among other consequences, the amount of original issue discount may be required to be re-determined, and such a U.S. Holder may recognize taxable gain during the taxable year in which the Re-Pricing occurs, and have its holding period in such Notes reset. A U.S. Holder that has its holding period reset may recognize short-term capital gain or loss if it sells, exchanges, retires or otherwise disposes of such Notes within one year after the Re-Pricing, even if such gain or loss otherwise would have been long-term capital gain or loss.

U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences to them of participating in a Re-Pricing.

The Issuer's ability to re-price the Secured Notes may be impaired or limited as a result of the U.S. Risk Retention Rules if the U.S. Risk Retention Rules become applicable to the Portfolio Manager for purposes of this transaction following the Closing Date.

***Book-entry holders are not considered Holders of the Notes under the Indenture.***

Holders of beneficial interests in any the Notes held in global form will not be considered Holders of such the Notes under the Indenture. After payment of any interest, principal or other amount to DTC neither the Issuer nor the Co-Issuer will have any responsibility or liability for the payment of such amount by DTC or to any Holder of a beneficial interest in a Note. DTC or its nominee will be the sole Holder for any the Notes held in global form, and therefore each person owning a beneficial interest in a Note held in global form must rely on the procedures of DTC (and if such person is not a participant in DTC on the procedures of the participant through which such person holds such interest) with respect to the exercise of any rights of a Holder of a Note under the Indenture.

Holders of the Notes owning a book-entry Note may experience some delay in their receipt of distributions of interest and principal on such Note since distributions are required to be forwarded by the Trustee to DTC, and DTC will be required to credit such distributions to the accounts of its participants which thereafter will be required to credit them to the accounts of the applicable Holders of the Notes, either directly or indirectly through indirect participants.

***Actions of any Rating Agency can adversely affect the market value or liquidity of the Notes.***

The Rating Agencies may change their published ratings criteria or methodologies for securities such as the Secured Notes at any time in the future. Furthermore, the Rating Agencies may retroactively apply any such new standards to the ratings of the Secured Notes. Any such action could result in a substantial lowering (or even withdrawal) of any rating assigned to any Secured Note, despite the fact that such Secured Note might still be performing fully to the specifications set forth for such Secured Note in the Offering Documents and the Transaction Documents. The rating assigned to any Secured Note may also be lowered following the occurrence of an event or circumstance despite the fact that the related Rating Agency previously provided rating confirmation with respect to such Secured Note. In addition, either Rating Agency may, at any time and without any change in its published ratings criteria or methodology, lower or withdraw any rating assigned by it to any Class of Secured Notes. If any rating initially assigned to any Secured Note is subsequently lowered or withdrawn for any reason, Holders of the Notes may not be able to resell their the Notes without a substantial discount. Any reduction or withdrawal to the ratings on any Class of Secured Notes may significantly reduce the liquidity thereof and may adversely affect the Issuer's ability to make certain changes to the composition of the Assets.

In addition to the ratings assigned to the Secured Notes, the Issuer will be utilizing ratings assigned by the Rating Agencies to obligors of individual Collateral Obligations. Such ratings will primarily be publicly available ratings. There can be no assurance that the Rating Agencies will continue to assign such ratings utilizing the same methods and standards utilized today despite the fact that such Collateral Obligation might still be performing fully to the specifications set forth in its Underlying Instrument. Any change in such methods and standards could result in a significant rise in the number of Caa Collateral Obligations and CCC Collateral Obligations included in the Assets, which could cause the Issuer to fail to satisfy the Overcollateralization Test or the Interest Diversion Test on subsequent Determination Dates. Any such failure could lead to the early amortization of some or all of one or more Classes of the Secured Notes.

If a Rating Agency announces, or informs a responsible officer of the Trustee, the Portfolio Manager or the Issuer that it believes confirmation of its ratings to any Class of Secured Notes is not required for a certain action or that its practice is to not give such confirmations for certain types of actions, the requirement for the rating confirmation will not apply. There can be no assurance that a Rating Agency will not subsequently withdraw or downgrade its respective ratings on one or more Classes of Secured Notes rated by it as a result of such actions, and any such withdrawal or downgrade could adversely affect the value or liquidity of the Notes.

***The information provided to Holders of the Notes in the Monthly Report and the Distribution Report is not audited or verified.***

On a monthly basis, excluding any month in which a Payment Date occurs, the Issuer will compile and make available (or cause to be compiled and made available) (including by providing access to the Trustee's website containing such document) to each Rating Agency then rating a Class of Secured Notes, Bloomberg, the Trustee, the Portfolio Manager, the Placement Agent, and, upon written request therefor, to any Holder shown on the note register and upon written notice to the Trustee in the form required under the Indenture, any beneficial owner of a Note, a monthly report (the "**Monthly Report**"), setting forth certain information with respect to the Collateral Obligations in respect of the immediately preceding month, including certain loss and delinquency information on the Collateral Obligations and measurements of certain investment criteria. In preparing and furnishing the Monthly Reports, the Issuer will rely conclusively on the accuracy and completeness of the information or data regarding the Collateral Obligations that has been provided to it by the Collateral Administrator (which will rely conclusively, in turn, on the accuracy and completeness of certain information provided to it by the Portfolio Manager and third parties), and the Issuer will not verify, recompute, reconcile or recalculate any such information or data. On each Payment Date, the Issuer will render an accounting to each Rating Agency then rating a Class of Secured Notes, Bloomberg, the Trustee, the Portfolio Manager, the Placement Agent and, upon written request therefor, to any Holder shown on the note register and upon written notice to the Trustee in the form prescribed under the Indenture, any beneficial owner of a Note, a report containing all the information in a Monthly Report reported for the full Collection Period as well as setting forth, among other things, certain information as to the distributions being made on such Payment Date, the fees to be paid to the Portfolio Manager and the Trustee and the loss and delinquency status of the Collateral Obligations (the "**Distribution Report**"). These Monthly Reports and Distribution Reports will also be made available at the internet website of the Trustee. Neither such information nor any other financial information furnished to Holders of the Notes will be audited and reported upon, and an opinion will not be expressed, by an independent public accountant.

## **Relating to the Collateral Obligations**

***Below investment-grade Assets involve particular risks.***

The Assets will consist primarily of non-investment grade loans or interests in non-investment grade loans, all of which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that the Assets generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular types of Assets.

While a limited amount of concentration of certain Assets with respect to any particular obligor, region or industry is expected to exist on the Effective Date, redemptions of Assets and the disposition by the Issuer of Assets and any subsequent reinvestment in other Asset may result in a greater concentration in any one obligor, region or industry, and such concentration could subject the Notes to a greater degree of risk with respect to collateral defaults by such obligor, and such concentration of the Issuer's portfolio in

any one industry or region could subject the Notes to a greater degree of risk with respect to economic downturns relating to such industry or region. To the extent that below investment grade Notes obligations as an asset class generally underperform or experience increased levels of credit losses or market volatility, the Assets will likely experience credit and trading losses even without significant obligor and industry diversification.

Prices of the Assets may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Assets. The current uncertainty affecting the United States economy and the economies of other countries in which issuers of Assets are domiciled and the possibility of increased volatility in financial markets could adversely affect the value and performance of the Assets. Additionally, loans and interests in loans have significant liquidity and market value risks since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities. In addition, historically the trading volume in the loan market has been small relative to the Notes securities market.

Obligors of below investment-grade Assets may be highly leveraged and may not have available to them more traditional methods of financing. During an economic downturn, a sustained period of rising interest rates, or a period of fluctuating exchange rates (in respect of those obligors located in non-U.S. countries), such obligors may be more likely to experience financial stress and may be unable to meet their Notes obligations due to the obligors' inability to meet specific projected business forecasts or the unavailability of financing. All risks associated with the Issuer's investment in such Assets will be borne by the holders of the Notes.

Below investment grade investments, including leveraged loans, have historically experienced greater default rates than has been the case for investment grade securities. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced on the Assets, and an increase in default levels could adversely affect payments on the Notes.

A non-investment grade loan or other Notes obligation or an interest in a non-investment grade loan or other Notes obligation is generally considered speculative in nature and may become a Defaulted Obligation for a variety of reasons. Upon any Collateral Obligation becoming a Defaulted Obligation, such Defaulted Obligation may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such Defaulted Obligation. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such Defaulted Obligation. The liquidity for Defaulted Obligations may be limited, and to the extent that Defaulted Obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. Furthermore, there can be no assurance that the ultimate recovery on any Defaulted Obligation will be at least equal to either the minimum recovery rate assumed by either Rating Agency in rating the Secured Notes (or in the case of Fitch, the Class A Notes only) or any recovery rate used in connection with any analysis of the Notes that may have been prepared by the Placement Agent for or at the direction of holders of any Notes. Non-investment grade leveraged loans have historically experienced greater default rates than investment grade loans.

***Credit ratings are not a guarantee of quality.***



Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality or performance. Credit ratings address the timely payment of interest on non-deferrable Classes and the ultimate payment of principal by the Stated Maturity. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. If a rating assigned to any Collateral Obligation is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such Collateral Obligation. Rating agencies attempt to evaluate the relative future creditworthiness of an obligation and do not address other risks, including but not limited to, the likelihood of principal prepayments (both voluntary and involuntary), liquidity risk, market value or price volatility; therefore, ratings do not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of any Collateral Obligation (as is also the case in respect of the Secured Notes) should be used only as a preliminary indicator of perceived investment quality and should not be considered a reliable indicator of actual investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time, with material adverse effects upon the Notes. It is possible that many credit ratings of assets included in or similar to the Collateral Obligations will be subject to significant or severe adjustments downward.

***Investing in loans involves particular risks.***

The Issuer may acquire interests in loans either directly (by way of assignment from the Selling Institution) or indirectly (by purchasing a Participation Interest from the Selling Institution). Loans are not generally traded on established trading exchanges by banks and other institutional investors engaged in syndications and loan participations, respectively. Consequently, there can be no assurance that there will be any market for any loan if the Issuer is required to sell or otherwise dispose of such loan. Depending on the terms of the underlying loan document, consent of the obligor may be required for an assignment, and a purported assignee may not have any direct right to enforce compliance by the obligor with the terms of the loan agreement in the absence of this consent. As described in more detail below, holders of Participation Interests are subject to additional risks not applicable to a holder of a direct interest in a loan.

Participations by the Issuer in a Selling Institution's portion of a loan typically result in a contractual relationship only with such Selling Institution, not with the borrower. In the case of a Participation Interest, the Issuer will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such Selling Institution of such payments from the borrower. By holding a Participation Interest in a loan, the Issuer generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set off against the borrower, and the Issuer may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the Issuer will assume the credit risk of both the borrower and the institution selling the participation, which will remain the legal owner of record of the applicable loan. The Portfolio Manager has not and will not perform independent credit analyses of the Selling Institutions. In the event of the insolvency of the Selling Institution, the Issuer, by owning a Participation Interest, may be treated as a general unsecured creditor of the Selling Institution, and may not benefit from any set off between the Selling Institution and the borrower. In addition, the Issuer may purchase a participation from a Selling Institution that does not itself retain any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When the Issuer holds a Participation Interest in a loan it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each Selling Institution will reserve the right to administer the loan sold by it as it sees fit and to amend the documentation evidencing such loan in all respects. Selling Institutions

voting in connection with such matters may have interests different from those of the Issuer and may fail to consider the interests of the Issuer in connection with their votes.

Certain of the loans or Participation Interests may be governed by the law of a jurisdiction other than a United States jurisdiction. The Issuer is unable to provide any information with respect to the risks associated with purchasing a loan or a Participation Interest under an agreement governed by the laws of a jurisdiction other than a United States jurisdiction, including characterization under such laws of such Participation Interest or sub-Participation Interest in the event of the insolvency of the institution from whom the Issuer purchases such Participation Interest or sub-Participation Interest or the insolvency of the institution from whom the grantor of the sub-Participation Interest purchased its Participation Interest.

The purchaser of an assignment of an interest in a loan typically succeeds to all the rights and obligations of the assigning selling institution and becomes a lender under the loan agreement with respect to that loan. As a purchaser of an assignment, the Issuer generally will have the same voting rights as other lenders under the applicable loan agreement, including the right to vote to waive enforcement of breaches of covenants or to enforce compliance by the borrower with the terms of the loan agreement, and the right to set off claims against the borrower and to have recourse to collateral supporting the loan. Assignments are, however, arranged through private negotiations between assignees and assignors, and in certain cases the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning Selling Institution. Furthermore, the ability of the Issuer to exercise such voting rights may be limited by certain restrictions on the Issuer set forth in the Indenture.

Assignments and participations are sold strictly without recourse to the selling institutions, and the selling institutions will generally make no representations or warranties about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans. In addition, the Issuer will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower. Because of certain factors including confidentiality provisions, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not purchased or sold as easily as are publicly traded securities.

***Investing in Cov-Lite Loans involves certain risks.***

A substantial portion of the Collateral Principal Amount may be comprised of Cov-Lite Loans. Cov-Lite Loans typically do not have Maintenance Covenants. Ownership of Cov-Lite Loans may expose the Issuer to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans that have Maintenance Covenants. The definition of Cov-Lite Loan does not include any loan that, although it has no Maintenance Covenant, is *pari passu* with or contains a cross-default provision to another loan of the underlying obligor forming part of the same loan facility that requires the underlying obligor to comply with one or more Maintenance Covenants (each, an “excluded loan”). If the application of such covenants is subject to certain conditions (for example, in the case of a revolver, the condition that such revolver has been drawn), and those conditions have not been satisfied, such covenants will afford no protection to the Issuer. As a result of the ownership of such Cov-Lite Loans, the Issuer’s exposure to losses may be increased, which could result in an adverse impact on the Issuer’s ability to make payments on the Notes. In addition, in the current economic environment, the market prices of Cov-Lite Loans may be depressed.

***Investing in Unsecured Loans involves certain risks.***

Unsecured Loans are unsecured obligations of the applicable obligor, may be subordinated to other obligations of the obligor and generally have greater credit, insolvency and liquidity risk than is typically associated with investment grade obligations and secured obligations. Unsecured obligations will generally have lower rates of recovery than secured obligations following a default. Also, in the event of the

insolvency of an obligor of any unsecured obligation, the holders of such unsecured obligation will be considered general, unsecured creditors of the obligor and will have fewer rights than secured creditors of the obligor and will be subordinate to the secured creditors with respect to the related collateral.

***Investing in Second Lien Loans involves certain risks.***

The Collateral Obligations may include Second Lien Loans, each of which will be secured by a pledge of collateral, but which is subordinated (with respect to liquidation preferences with respect to pledged collateral) to other secured obligations of the obligors secured by all or a portion of the collateral securing such secured loan. Second Lien Loans may be subordinated to senior secured obligations with respect to specific collateral to the obligor and, in the event that the proceeds or value of such collateral is insufficient to repay the first lien debt obligations, the Second Lien Loans will likely suffer a loss of principal and interests. Such Second Lien Loans will generally have rights that are subordinated to those of the senior secured obligations. Second Lien Loans are subject to the same risks as senior secured loans, including credit risk, market risk, liquidity risk and interest rate risk. However, due to the subordinated nature of these loans they involve a higher degree of overall risk than the senior secured loans of the same obligor. Second Lien Loans are typically subject to intercreditor arrangements, the provisions of which may prohibit or restrict the ability of the holder of a Second Lien Loan to (i) exercise remedies against the collateral with respect to their second liens; (ii) challenge any exercise of remedies against the collateral by the first lien lenders with respect to their first liens; (iii) challenge the enforceability or priority of the first liens on the collateral; and (iv) exercise certain other secured creditor rights, both before and during a bankruptcy of the borrower. In addition, during a bankruptcy of the obligor, the holder of a Second Lien Loan may be required to give advance consent to (a) any use of cash collateral approved by the first lien creditors; (b) sales of collateral approved by the first lien lenders and the bankruptcy court, so long as the second liens continue to attach to the sale proceeds; and (c) debtor-in-possession financings.

***Liens arising by operation of law may take priority over the Issuer's liens on an obligor's underlying collateral and impair the Issuer's recovery on a Collateral Obligation in the event of a default or foreclosure on that Collateral Obligation.***

Federal or state law may grant liens on the collateral (if any) securing a Collateral Obligation that have priority over the Issuer's interest. An example of a lien arising under federal or state law is a tax or other government lien on property of an obligor. A tax lien may have priority over the Issuer's lien on such collateral. To the extent a lien having priority over the Issuer's lien exists with respect to the collateral related to any Collateral Obligation, the Issuer's interest in the asset will be subordinate to such lien. If the creditor holding such lien exercises its remedies, it is possible that, after such creditor is repaid, sufficient cash proceeds from the underlying collateral will not be available to pay the outstanding principal amount of such Collateral Obligation.

**Relating to Certain Conflicts of Interest**

*In general, the transaction described in the Offering Documents will involve various potential and actual conflicts of interest.*

Various potential and actual conflicts of interest may arise from the overall investment activity of the Portfolio Manager, its clients and its affiliates and the Placement Agent and its affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

***Portfolio Manager Conflicts of Interest.***

The Issuer may be subject to various conflicts of interest involving the Portfolio Manager, its personnel, its Affiliates, and its Affiliates' personnel (the Portfolio Manager and such other persons collectively being referred to herein as the "Portfolio Manager Affiliates") and the Other Accounts (as defined below). Any

such conflicts and the manner in which they are addressed by the Portfolio Manager may have an adverse effect on the Issuer.

For example, the Portfolio Manager may compete with certain Portfolio Manager Affiliates or Other Accounts (as defined below) for investments for the Issuer, subjecting the Portfolio Manager to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions on the Issuer's behalf. In the event that a conflict of interest arises, the Portfolio Manager will endeavor, so far as it is able, to ensure that such conflict is resolved in a manner consistent with applicable law and its internal policies. These resolutions may include, by way of example without limitation, refraining from investing in or disposing of the investment giving rise to the conflict of interest, taking or refraining from taking certain action with respect to an investment or appointing an independent fiduciary to act on behalf of the Portfolio Manager. There can be no assurance that the Portfolio Manager will resolve all conflicts of interest in a manner that is favorable to the Issuer and any such conflicts of interest could have a material adverse effect on the Issuer.

The Portfolio Manager expects in the future to provide investment management and advisory services to other collateralized debt obligation transactions and other accounts managed, established, sponsored or advised by the Portfolio Manager (all of such collateralized debt obligation transactions and accounts collectively referred to herein as "Other Accounts"), in which the Issuer has no interest.

The Portfolio Manager will receive advisory and other fees (including performance-based compensation) from, or have other pecuniary interests in, Other Accounts, and due to differences in fee rates, types of fees and fee-offset provisions contained in the management agreements for such entities, the fees may not be proportionate to such entities' investment accounts for any given transaction and the Portfolio Manager may have an incentive to favor entities from which it receives higher fees or in which it otherwise has a greater pecuniary interest. There is no assurance that any Other Account with investment objectives, programs or strategies similar to those of the Issuer will hold the same positions or perform in a substantially similar manner as the Issuer. The Portfolio Manager Affiliates may give advice or take action (including enter into derivative transactions or buy protection under a credit default swap) or take no action for their own account or with respect to the investments held by, and transactions of, Other Accounts which may differ from, or be contrary to, the advice given or the timing or nature of any action taken with respect to investments of the Issuer. As a result of such advice or actions or inactions, the prices and availability of securities and other financial instruments in which the Issuer invests or may seek to invest may differ from those available to Other Accounts, and the performance of the Issuer may be adversely affected. In addition, the Portfolio Manager's ability to effectively implement the Issuer's investment strategies may be limited to the extent that contractual obligations relating to these permitted activities restrict the Portfolio Manager's ability to engage in transactions that it may otherwise be interested in pursuing. The Portfolio Manager may provide investment advice to Other Accounts that compete with the Issuer for investment opportunities. Where the Issuer and Other Accounts hold portfolio investments in the same issuer or obligor, their interests may be in conflict irrespective of whether their investments are at different levels of the capital structure. Among other things, the timing of entry into or exit from a portfolio investment may vary as among these parties for reasons such as differences in strategy, existing portfolio or liquidity needs.

The Portfolio Manager and the personnel available to it allocate their time between the Issuer and any other investment and business activities in which they may be involved. The Portfolio Manager intends to devote such time as shall be necessary to conduct the Issuer's business affairs in an appropriate manner. However, the Portfolio Manager and the personnel available to it will continue to devote the resources necessary to managing such other investment and business activities. The investment policies, fee arrangements and other circumstances applicable to Other Accounts may vary from those applicable to the Issuer. The Portfolio Manager may buy, sell, or hold securities or other instruments for Other Accounts while the Portfolio Manager is making different investment decisions with respect to the Issuer's portfolio. Nothing in the Indenture and the Portfolio Management Agreement will prevent the Portfolio Manager or

any of its Affiliates from acting either as principal or agent on behalf of others, from buying or selling (or refraining from buying or selling or entering into derivative transactions, buying protection under a credit default swap or engaging in other "opposite way trading" activities), or from recommending to or directing any of the Other Accounts to buy or sell (or to refrain from buying or selling or entering into derivative transactions, buying protection under a credit default swap or engaging in other "opposite way trading" activities), at any time, securities or obligations of the same kind or class, or securities or obligations of a different kind or class of the same obligor or issuer, as those directed by the Portfolio Manager to be purchased or sold on behalf of the Issuer.

Certain Other Accounts may in the future invest in securities and other assets in which the Issuer may invest. The Portfolio Manager will generally have sole discretion to determine the manner in which investment opportunities are allocated among the Issuer and Other Accounts. Allocation of identified investment opportunities among the Issuer and Other Accounts presents inherent conflicts of interest where demand exceeds available supply. As a result, the Issuer's share of investment opportunities may be materially affected by competition from Other Accounts. Prospective investors in the Notes should note that the conflicts inherent in making such allocation decisions may not always be resolved to the advantage of the Issuer.

From time to time, the Issuer may participate in leveraging and recapitalization transactions involving issuers of the Issuer's portfolio investments in which Other Accounts have invested or will invest. Recapitalization transactions will present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. The Portfolio Manager Affiliates and Other Accounts may, but will have no obligation to, purchase Notes and may acquire or sell Notes at any time. The interests and incentives of the Portfolio Manager Affiliates or Other Accounts that may from time to time invest in Notes will not necessarily be aligned with those of the other holders of any Notes or the holder of Notes of any particular Class. In particular, if at any time the Subordinated Notes are owned in part by the Portfolio Manager or its Affiliates or Other Accounts, the Portfolio Manager may face conflicts between the interests of the holders of the Rated Notes on the one hand and the interests of the holders of the Subordinated Notes on the other when making a decision to purchase or sell a Collateral Obligation. Additionally, during any period of time that Affiliates of the Portfolio Manager or Other Accounts hold Subordinated Notes representing at least a Majority of the Subordinated Notes, such Affiliates of the Portfolio Manager and Other Accounts will have the ability to direct the Issuer and the Trustee to take, or not to take, certain actions, including (w) to direct an Optional Redemption after the Non-Call Period or to prevent any other holders of Subordinated Notes from directing an Optional Redemption after the Non-Call Period, (x) to direct a Tax Redemption and (y) to direct the issuance of additional notes by the Issuer. Further, any Manager Notes will have voting rights in connection with the approval of a successor manager. In taking or refraining to take any such actions, the Portfolio Manager Affiliates and Other Accounts will have no obligation to take into account the interests of any other holder of Notes.

The Indenture and the Portfolio Management Agreement provide for certain actions to occur at the direction of the specified percentage of Subordinated Notes, including an Optional Redemption of the Rated Notes. It may be difficult or impossible, so long as the Portfolio Manager Affiliates and Other Accounts own a significant portion of the Subordinated Notes, to take such actions without the consent of the Portfolio Manager Affiliates and Other Accounts. Actions requiring the consent or direction of the Subordinated Notes pursuant to the Indenture or the Portfolio Management Agreement could be expected to be influenced, and potentially controlled, by such Portfolio Manager Affiliates and Other Accounts. To the extent that the interests of the holders of the Rated Notes that are not Portfolio Manager Affiliates or Other Accounts differ from the interests of the holders of the Subordinated Notes, the holding of a significant portion of the Subordinated Notes by the Portfolio Manager Affiliates and Other Accounts may create

additional conflicts of interest. Any Notes, including the Subordinated Notes, acquired by any Portfolio Manager Affiliates or any Other Account may be sold by any such person to related and/or unrelated parties at any time and such sale may be conducted at a discount or in any other manner that could be potentially adverse to interests of other holders of the Notes.

The Portfolio Manager or its Affiliates may have had communications with Other Accounts, potential investors in the Notes and other parties interested in the transaction and may have communications with other holders and/or other parties interested in the transaction during the term of the transaction, in each case, relating to the composition of the Issuer's investments and/or other matters relating to the Issuer. There can be no assurances that such communications will not influence the Portfolio Manager's decisions relating to the Issuer's assets or other matters with respect to which the Portfolio Manager has discretion, including, without limitation, the selection of the assets that were included in the portfolio both prior to, and that will be included in the portfolio after, the Closing Date.

The Portfolio Manager will be permitted to discuss the composition and performance of the portfolio of Collateral Obligations and other assets of the Issuer with Holders, potential Holders and other stakeholders in the transaction, which may influence the Portfolio Manager's performance of its duties under the Portfolio Management Agreement, and the Portfolio Manager will be permitted to use the Issuer's track-record and investment performance, among other things, in its marketing materials and disclosures in connection with its investment management business.

The Portfolio Manager may from time to time consult with, receive input from and provide information to third parties (who may or may not be or become direct and indirect owners of the Notes) in respect of obligations being considered for acquisition by the Issuer. Some of those same third parties may have interests adverse to those of the holders of Notes and may take a short position (for example, by buying protection under a credit default swap) relating to any such obligations or securities. This Offering Circular does not contain any information regarding the individual Collateral Obligations that will comprise the Issuer's initial portfolio or that may secure the Notes from time to time.

The Portfolio Manager is entitled to receive a Base Management Fee, a Subordinated Management Fee and an Incentive Management Fee from the Issuer out of proceeds received by the Issuer from the Collateral Obligations, payable in accordance with the Priority of Payments. The payment of the Incentive Management Fee is dependent to some degree on the yield earned on the Collateral Obligations. The fee structure could create an incentive for the Portfolio Manager to manage the Issuer's investments in a manner as to seek to maximize the yield on the Collateral Obligations relative to investments of higher creditworthiness. Managing the portfolio with the objective of increasing yield, even though the Portfolio Manager is constrained by investment restrictions described in "Security for the Rated Notes—Collateral Obligations," could result in an increase in defaults or volatility and could contribute to a decline in the aggregate market value of the Collateral Obligations.

On the Closing Date, the Portfolio Manager expects to be reimbursed by the Issuer for certain expenses (including legal fees and expenses) incurred by the Portfolio Manager in connection with its participation in the transaction and in connection with the organization of the Issuer and the financing arrangements for its accumulation of Collateral Obligations prior to the Closing Date will be repaid.

Independent counsel has not necessarily been appointed to represent the investors in respect of the Portfolio Manager. The same counsel that represents the Issuer may also represent Other Accounts.

Certain holders of Notes may have access to more or better information than other investors or holders of Notes such as, but not limited to, portfolio risk, personnel and/or investment-related information. In addition, in the course of conducting due diligence, current or prospective investors or holders of Notes may request information pertaining to investments, portfolios or the Portfolio Manager. The Portfolio

Manager may respond to such requests and provide a response containing information which is not generally made available to other investors although it may require investors receiving such information to agree to keep such information confidential. When the Portfolio Manager provides this requested information, it does so without an obligation to provide it to other investors or to correct or update any such information previously provided.

Other present and future activities of the Portfolio Manager and the other Portfolio Manager Affiliates may give rise to additional conflicts of interest not addressed above. In the event that a conflict of interest arises, the Portfolio Manager will attempt to resolve such conflict in a fair and equitable manner. By acquiring Notes, each investor will be deemed to have acknowledged the existence of any of the foregoing actual, apparent and potential conflicts of interest and to have waived any claim with respect to any liability from the existence of any such conflict of interest.

***The Issuer will be subject to various conflicts of interest involving the Portfolio Manager and its Affiliates.***

Various potential and actual conflicts of interest may arise from the overall investment activity of the Portfolio Manager, its clients and its affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts. The scope of the activities of the affiliates of the Portfolio Manager and the funds and clients advised by affiliates of the Portfolio Manager may give rise to conflicts of interest or other restrictions and/or limitations imposed on the Issuer in the future that cannot be foreseen or mitigated at this time.

On the Closing Date, an Affiliate of the Portfolio Manager expects to purchase a Majority of the Subordinated Notes. The interests of the Holders of the Subordinated Notes may differ with those of the Holders of other Classes of Notes. Although partners or employees of the Portfolio Manager, or funds or accounts managed by the Portfolio Manager or one or more of its Affiliates, may at times be Holders of Notes, the interests and incentives for such Holders will not necessarily be completely aligned with those of the other Holders of Notes or the Holder of Notes of any particular Class. In addition, the Portfolio Manager will discuss the composition of the Collateral Obligations and other matters relating to the transactions contemplated hereby with any partners or employees of the Portfolio Manager, or funds or accounts managed by the Portfolio Manager or one or more of its Affiliates, in each case acquiring Notes and may have such discussions with other beneficial owners of Notes or stakeholders in the Issuer. There can be no assurance that such discussions will not influence the actions or inactions of the Portfolio Manager in its management role.

In addition, the Portfolio Manager will discuss the composition of the Collateral Obligations and other matters relating to the transactions contemplated hereby with any partners or employees of the Portfolio Manager, or funds or accounts managed by the Portfolio Manager or one or more of its Affiliates, in each case acquiring Notes and may have such discussions with other beneficial owners of Notes or stakeholders in the Issuer. There can be no assurance that such discussions will not influence the actions or inactions of the Portfolio Manager in its management role. Portfolio Manager Notes will have voting rights with respect to all other matters as to which the holders of Notes are entitled to vote, including, without limitation, votes in connection with the exercise of remedies following an Event of Default and votes in connection with an Optional Redemption. Notes purchased by partners or employees of the Portfolio Manager or by funds or accounts managed by the Portfolio Manager or one or more of its Affiliates may be sold by such parties to related and unrelated parties at any time after the Closing Date.

The Portfolio Manager or one or more of its Affiliates or funds or accounts managed by the Portfolio Manager or one or more of its Affiliates (each, a “**Portfolio Manager Related Party**” and, collectively,

the “**Portfolio Manager Related Parties**”) may also have ongoing relationships with companies whose securities or loans are pledged to secure the Secured Notes and may own debt and equity securities issued by obligors of Collateral Obligations. As a result, officers of the Portfolio Manager and the Portfolio Manager Related Parties may possess information relating to issuers of Collateral Obligations which is not known to the individuals at the Portfolio Manager responsible for monitoring the Collateral Obligations and performing the other obligations under the Portfolio Management Agreement, and such officers will be under no obligation to make such information available to those responsible for monitoring the Collateral Obligations and performing the other obligations under the Portfolio Management Agreement. Additionally, the Portfolio Manager and Portfolio Manager Related Parties may receive fees or other benefits for these services which are greater than any fees the Portfolio Manager is receiving for its services to the Issuer. This disparity in fee income may create potential conflicts of interest between the Portfolio Manager's obligations to the Issuer and its and/or Portfolio Manager Related Parties' obligations to such other clients. The Portfolio Manager and Portfolio Manager Related Parties may also carry on investment activities for their own accounts and for family members and friends who do not invest in the Issuer, and may give advice and recommend securities to other managed accounts or investment funds which may differ from advice given to, or securities recommended for, the Issuer, even though their investment objective may be the same or similar.

In addition, the Portfolio Manager and the Portfolio Manager Related Parties may invest in securities or loans that are *pari passu*, senior or junior to, or have interests different from or adverse to, the Collateral Obligations. In such instances, the Portfolio Manager and the Portfolio Manager Related Parties may in their discretion, subject to certain restrictions, make investment recommendations and decisions that may be the same as or different from those made with respect to the Issuer's investments. The Portfolio Manager and the Portfolio Manager Related Parties currently serve and may in the future serve as portfolio manager for, invest in or be affiliated with other entities organized to issue or invest in collateralized debt obligations secured or backed by loans, high yield debt securities or emerging market bonds and loans. The Portfolio Manager may at certain times be simultaneously seeking to purchase or sell investments for the Issuer and any similar entity for which it serves as portfolio manager at such time, or for its affiliates (including any account, portfolio or investment company for which the Portfolio Manager or any affiliate serves as manager or investment advisor). Other entities for which the Portfolio Manager serves as portfolio manager may have investment objectives, programs, strategies and positions that are similar or dissimilar to or may conflict with those of the Issuer. Also, such other entities may invest in businesses that compete with, have interests adverse to, or are affiliated with the issuers of securities held by the Issuer, which could adversely affect the performance of the Issuer. There is no assurance that any such other entities with investment objectives, programs or strategies similar to those of the Issuer will hold the same positions or perform in a substantially similar manner as the Issuer. The Portfolio Manager and Portfolio Manager Related Parties may give advice or take action with respect to the investments of other collateral management clients which may differ from the advice given or the timing or nature of any action taken with respect to investments of the Issuer. As a result of such advice or actions, the prices and availability of securities and other financial instruments in which the Issuer invests or may seek to invest, and the performance of the Issuer, may be adversely affected.

Certain separately managed accounts or funds managed by the Portfolio Manager and Portfolio Manager Related Parties may require the Portfolio Manager or its Portfolio Manager Related Parties to apply a different valuation methodology in valuing specific investments than the valuation methodology set forth in the Transaction Documents for the Issuer. As a result of such different methodology, the value of certain investments held in such separately managed accounts or funds managed by the Portfolio Manager may differ from the value assigned to the same investments held by the Issuer by the Transaction Documents.



Although the Portfolio Manager will devote as much time to the Issuer as the Portfolio Manager deems appropriate, in order to satisfy its obligations under the Portfolio Management Agreement, the Portfolio Manager may have conflicts in allocating its time and services among the Issuer and the Portfolio Manager's other clients and accounts. In addition, the Portfolio Manager, in connection with its other business activities, may acquire material non-public confidential information that may restrict the Portfolio Manager from purchasing securities or selling securities for itself or its clients (including the Issuer) or otherwise using such information for the benefit of its clients or itself. The Portfolio Manager, in accordance with applicable law, will have procedures for the purpose of minimizing restrictions on the ability of the Portfolio Manager to perform the services to be provided by it under the Portfolio Management Agreement as a consequence of the possession by it, by virtue of unrelated activities, of material non-public information which it may apply in its discretion.

Certain amounts payable to the Portfolio Manager are payable on a senior basis, other amounts payable to it are payable on a subordinated basis, and other amounts are payable to it on an incentive basis. In certain circumstances, such payment arrangements could create a conflict of interest between the Portfolio Manager and the Holders of one or more Classes of Notes.

***The Rating Agencies may have certain conflicts of interest.***

Fitch and Standard & Poor's have been hired by the Issuer to provide their ratings on the Secured Notes (or in the case of Fitch, the Class A Notes only). Either Rating Agency may have a conflict of interest where, as is the case with the ratings of the Secured Notes (or in the case of Fitch, the Class A Notes only) (with the exception of unsolicited ratings), the issuer of a security pays the fee charged by the rating agency for its rating services.

***The Issuer will be subject to various conflicts of interest involving the Placement Agent.***

Various potential and actual conflicts of interest may arise as a result of the investment banking, commercial banking, asset management, financing and financial advisory services and products provided by the Placement Agent, to the Issuer, the Trustee, the Portfolio Manager, the issuers of the Collateral Obligations and others, as well as in connection with the investment, trading and brokerage activities of the Placement Agent. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

The Placement Agent will serve as Placement Agent to the Issuer and the Co-Issuer, as applicable, and will be paid fees and commissions for such service by the Issuer from the proceeds of the issuance of the Notes. One or more of the Placement Agents and one or more accounts or funds managed by a the Placement Agent may from time to time hold Notes for investment, trading or other purposes (collectively, the **“the Placement Agent Holders”**). Without limiting the foregoing, the Placement Agent Holders may purchase certain unsold Secured Notes and a Placement Agent Holder will purchase a Majority of the Class A Notes on the Closing Date, and such purchases may be at prices which may be higher or lower than the prices at which such Notes were sold to other investors. No Placement Agent Holder will be required to retain any Notes acquired by it and a Placement Agent Holder may realize a gain in the secondary market by selling Notes purchased by it. The Placement Agent Holders will be able to influence the voting of Classes of Notes which they hold, and thereby have an effect on certain aspects of the transaction generally. For instance, if one or more Placement Agent Holders hold a Majority of the Controlling Class, they will be able to exercise their influence to (i) determine whether the Notes are accelerated during the occurrence and continuance of certain Events of Default and what remedies should be taken against the Issuer or the Assets and (ii) direct the removal of the Portfolio Manager for “cause”. The interests of the Placement Agent Holders may not coincide with those of the other holders of the Notes at all times. Any Placement Agent Holder in its capacity as a holder of the Notes may act in its own commercial interest and need not consider whether its actions will have an adverse effect on the Issuer or the other holders of the Notes. The

Placement Agent Holders will have no responsibility for or obligation in respect of the Issuer and will have no obligation to own Notes on or after the Closing Date, or to retain Notes for any length of time.

The Placement Agents will not be limited in their activities relating to buying, holding or selling Notes or obligations constituting, or which may constitute, part of the Assets. Without limitation of the foregoing, at any time, one or more Placement Agents may have a long or short position in, or enter into a hedge or derivative position relating to, any obligation constituting part of the Assets or any Class of Notes. Any such Placement Agent may act in its own commercial interest and need not consider whether its actions will have an adverse effect on the Issuer or the holder of the Notes.

Prior to the Closing Date, one or more Placement Agents will provide the Warehouse Facility to the Issuer. Upon the occurrence of the Closing Date, the Warehouse Facility will terminate and such Placement Agent will be paid in full. As administrative agent in connection with the Warehouse Facility, one of the Placement Agents has the right to approve all assets acquired by the Issuer and has the right to approve and, in certain circumstances, to require sales of assets by the Issuer. This Placement Agent will exercise those rights solely for its own benefit and in a manner that protects the rights and interests of this Placement Agent and other Placement Agents in their various capacities under the Warehouse Facility. No Placement Agent has done, and no Placement Agent will do, any analysis of the Collateral Obligations acquired or sold by the Issuer for the benefit of, or in a manner designed to further the interests of, any Holder of Notes.

The Placement Agents may be significant participants in the leveraged loan and high yield bond markets. It is likely that the Issuer purchased and sold prior to the Closing Date, and that the Issuer will purchase or sell after the Closing Date, Collateral Obligations from, to or through one or more of the Placement Agents (and such purchases or sales may relate to a significant portion of the Collateral Obligations) and will also have purchased or sold, or will purchase or sell (as applicable) Collateral Obligations with respect to which a Placement Agent acted as underwriter, arranger, lender or administrative agent or in a similar capacity as further described below (and such Collateral Obligations may constitute a significant portion of the Collateral Obligations).

Certain Eligible Investments may be issued, managed or underwritten by one or more of the Placement Agents. One or more of the Placement Agents may provide investment banking, commercial banking, asset management, financing and financial advisory services and products to the Portfolio Manager or its Affiliates, and purchase, hold and sell, both for their respective accounts or for the account of their respective clients, on a principal or agency basis, loans, securities, and other obligations and financial instruments of the Portfolio Manager or its Affiliates. As a result of such transactions or arrangements, one or more of the Placement Agents may have interests adverse to those of the Issuer and holders of the Notes. The Placement Agents will not be restricted in their performance of any such services or in the types of Notes or equity investments, which they may make. In conducting the foregoing activities, the Placement Agents will be acting for their own account or the account of their customers and will have no obligation to act in the interest of the Issuer.

One or more of the Placement Agents may:

- have placed or underwritten, or acted as a financial arranger, structuring agent or advisor in connection with the original issuance of, or may act as a broker or dealer with respect to, certain of the Collateral Obligations;
- act as trustee, paying agent and in other capacities in connection with certain of the Collateral Obligations or other classes of securities issued by an issuer of a Collateral Obligation or an affiliate thereof;

- be a counterparty to issuers of certain of the Collateral Obligations under swap or other derivative agreements;
- be a hedge counterparty under a Hedge Agreement with the Issuer;
- be a Selling Institution with respect to a Participation Interest;
- lend to certain of the issuers of Collateral Obligations or their respective affiliates or receive guarantees from the issuers of those Collateral Obligations or their respective affiliates;
- provide other investment banking, asset management, commercial banking, financing or financial advisory services to the issuers of Collateral Obligations or their respective affiliates; or
- have an equity interest, which may be a substantial equity interest, in certain issuers of the Collateral Obligations or their respective affiliates.

When acting as a trustee, paying agent or in other service capacities with respect to a Collateral Obligation, the Placement Agents will be entitled to fees and expenses senior in priority to payments to such Collateral Obligation. When acting as a trustee for other classes of securities issued by the issuer of a Collateral Obligation or an affiliate thereof, the Placement Agents will owe fiduciary duties to the holders of such other classes of securities, which classes of securities may have differing interests from the holders of the class of securities of which the Collateral Obligation is a part, and may take actions that are adverse to the holders (including the Issuer) of the class of securities of which the Collateral Obligation is a part. As a counterparty under swaps and other derivative agreements (including without limitation, under a Hedge Agreement), the Placement Agents might take actions adverse to the interests of the Issuer, including, but not limited to, demanding collateralization of its exposure under such agreements (if provided for thereunder) or terminating such swaps or agreements in accordance with the terms thereof. In making and administering loans and other obligations, the Placement Agents might take actions including, but not limited to, restructuring a loan, foreclosing on or exercising other remedies with respect to a loan, requiring additional collateral or other credit enhancement, charging significant fees and interest, placing the obligor in bankruptcy or demanding payment on a loan guarantee or under other credit enhancement. The Issuer's purchase, holding and sale of Collateral Obligations may enhance the profitability or value of investments made by the Placement Agents in the issuers thereof. As a result of all such transactions or arrangements between the Placement Agents and issuers of Collateral Obligations or their respective affiliates, the Placement Agents may have interests that are contrary to the interests of the Issuer and the holders of the Notes.

As part of their regular business, the Placement Agents may also provide investment banking, commercial banking, asset management, financing and financial advisory services and products to, and purchase, hold and sell, both for their respective accounts or for the account of their respective clients, on a principal or agency basis, loans, securities, and other obligations and financial instruments and engage in private equity investment activities. The Placement Agents will not be restricted in their performance of any such services or in the types of Notes or equity investments, which they may make. In conducting the foregoing activities, the Placement Agents will be acting for their own account or the account of their customers and will have no obligation to act in the interest of the Issuer.

The Placement Agents may, by virtue of the relationships described above or otherwise, as of the date hereof or at any time hereafter, be in possession of information regarding certain of the issuers of Collateral Obligations and their respective affiliates, that is or may be material in the context of the Notes and that is or may not be known to the general public. None of the Placement Agents has any obligation, and the offering of the Notes will not create any obligation on their part, to disclose to any purchaser of the Notes any such relationship or information, whether or not confidential.

## **Item 9. Disciplinary Information**

There is no disciplinary history to report.

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

The Adviser is affiliated with other entities engaged in the financial services business and, in some cases, has business arrangements with such entities that are material to its advisory business or to its Clients. These are described in more detail below and, in some cases, could cause the Adviser's or its related persons' interests to conflict with the interests of a Client.

As stated in Item 4, the Adviser's holding company, Holdco, is partially owned by PACA-Halsey, LLC which is wholly owned by A-CAP. A-CAP is a private holding company that owns majority interests in Atlantic Coast Life Insurance Company, Haymarket Insurance Company, Sentinel Security Life Insurance Company, and Ability Insurance Company ("AIC"), as well as Advantage Capital Management LLC ("ACM"), an SEC-registered investment adviser.

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

### *Code of Ethics*

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its related persons to put the interests of the Clients before their own interests and to act honestly and fairly in all respects in their dealings with the Clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. For a copy of the Code, the Clients and prospective clients may contact Yvonne Stevens at 424-220-6450 or YStevens@halseypoint.com. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers of securities, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of a Client. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, including the Clients. The Adviser maintains written policies and procedures reasonably designed to prohibit the communication of such information to persons who do not have a legitimate need to know such information and to otherwise ensure that the Adviser is acting in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser and its personnel are prohibited from communicating such information with respect to the Clients or using such information for the Clients' benefit.

To the extent that the Adviser or its related persons invest in the same securities that the Adviser or a related person recommends to a Client, such practices present a conflict where, the Adviser or its related person is in a position to trade in a manner that could adversely affect the Clients. In addition to affecting the Adviser's or its related person's objectivity, these practices by the Adviser or its related persons may also harm the Clients by adversely affecting the price at which the Clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: the Adviser requires its related persons to preclear certain transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on the Clients. In addition, the Code prohibits the Adviser or its related persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's related persons are also required to provide a quarterly certification of such personal securities transactions, as well as initial and annual holdings reports. Trading

in employee accounts will be reviewed by the Chief Compliance Officer or his delegate and compared with transactions for the Client accounts and reviewed against the restricted securities list.

### *Principal Transactions*

The Adviser may effect principal transactions between itself and a Client if such transactions are in the best interests of the Client and are conducted in compliance with the Adviser's policies and procedures and applicable law. Any transaction effected between the Client and accounts, portfolios or investment companies managed or advised by the Adviser will be conducted on an arm's length basis for fair market value and on terms as favorable to the Client and such other account, portfolio or investment company as would be the case in a transaction with an independent third party and in accordance with the Adviser's fiduciary obligations under applicable laws including (but not limited to) the Advisers Act. Any trade confirmation provided to a trustee by the Adviser will be deemed to be an issuer order stating that all applicable conditions specified above are satisfied with respect to such sale and/or purchase.

Further, the Adviser may from time to time decline to direct the purchase or sale hereunder of securities that are otherwise suitable for purchase or sale hereunder in the event that such securities have been issued by (i) persons of which the Adviser, Related Parties or any of its or their officers, directors or employees are directors or officers, (ii) persons for which the Adviser or Related Parties act as financial advisor or underwriter or (iii) persons about which the Adviser or Related Parties have information which the Adviser deems confidential or non-public or otherwise might prohibit it from trading such securities in accordance with applicable law.

### *Other Conflicted Transactions*

Neither the Adviser nor any of its Related Parties is under any obligation to offer investment opportunities of which it becomes aware to a Client (or share with the Client or inform the Client of) any such transaction or any benefit received by it from any such transaction or to inform the Client of any investments before offering any investments to other funds or accounts that the Adviser or any of the Related Parties manages or advises. Furthermore, the Adviser and any of the Related Parties may make an investment on behalf of any account that it manages or advises without offering the investment opportunity or making any investment on behalf of the Client. Furthermore, the Adviser and any of the Related Parties may make an investment on its own behalf without offering the investment opportunity to, or the Adviser making any investment on behalf of, the Client. Affirmative obligations may exist, or may arise in the future, whereby the Adviser or any of the Related Parties is obligated to offer certain investments to funds or accounts that it manages or advises before or without the Adviser offering those investments to the Client. The Adviser and each of the Related Parties has no affirmative obligation to offer any investments to the Client or to inform the Client of any investments before engaging in any investments for itself. The Adviser may make investments on behalf of the Client in securities, or other assets, that it has declined to invest in for its own account, the account of any Related Parties or the account of its other clients. The Offering Documents provide that, after the closing date, collateral obligations may be purchased from or sold to Related Parties; any such purchase or sale will be effected in accordance with the Adviser's internal policies and procedures and applicable law.

Unless otherwise prohibited by applicable law, the Indenture or the Portfolio Management Agreement, the Portfolio Manager may, on behalf of the Issuer, for liquidity, trade allocation or other reasons, purchase obligations or securities from, sell obligations or securities to or enter into any arrangement or agreement with Other Accounts ("cross transactions"). The terms of any such cross transactions will be on an arm's length basis as determined in accordance with internal policies. The Portfolio Manager will receive no compensation in connection with cross transactions, aside from advisory and similar fees attributable to its management of participatory accounts. To the extent that any transaction with the Issuer would constitute

a principal transaction, the Portfolio Manager will comply with the requirements of Section 206(3) of the Advisers Act, including the requirement that the Portfolio Manager notify the board of directors of the Issuer (the "Board of Directors") in writing of the transaction and obtain the Issuer's consent through the Board of Directors before completion of such a transaction.

The Portfolio Manager has an obligation under the Indenture to exercise its reasonable judgment to determine the market values of certain Collateral Obligations for which certain specified third party bid prices are not available. Such valuations are taken into account for purposes of calculating the Overcollateralization Ratios and Interest Coverage Ratios and can therefore make a difference in the payments made to certain holders of Notes on relevant Payment Dates. In determining the market values for such Collateral Obligations, the Portfolio Manager will take into account various factors and may rely on internal pricing models. Such valuations may vary from similar valuations performed by independent third parties for similar types of securities or assets. The valuation of illiquid securities and other assets is inherently subjective and subject to increased risk that the information utilized to value such assets or to create the price models may be inaccurate or subject to other error. Due to a wide variety of factors and the nature of certain securities and assets to be held by the Issuer, there is no guarantee that the values determined by the Portfolio Manager will represent the value that will be realized by the Issuer on the eventual realization of the investment or that would, in fact, be realized upon an immediate disposition of the investments.

The Portfolio Manager is not under any obligation to offer investment opportunities of which it becomes aware to the Issuer or to share with the Issuer or to inform the Issuer of any such transaction or any benefit received by it from any such transaction or to inform the Issuer of any investments before offering any investments to Other Accounts.

In certain circumstances, including but not limited to those involving an Optional Redemption, the Portfolio Manager may engage an independent agent to dispose of assets held by the Issuer in which the Portfolio Manager and its Affiliates may be deemed to have material non-public information on behalf of the Issuer. Such independent agent may dispose of the relevant assets for a price that may be lower than the Portfolio Manager's valuation of such assets which may take into account the material non-public information known to the Portfolio Manager and its Affiliates in respect of the Issuer.

The Portfolio Manager may seek to avoid the receipt of material, non-public information about the issuers of loans and other investments (including from the issuer itself) being considered for acquisition by the Issuer, or held by the Issuer. The Portfolio Manager's decision not to receive such material, non-public information may disadvantage the Issuer and could adversely affect the Issuer's performance. However, the Portfolio Manager or certain personnel may from time to time acquire material non-public and/or confidential information that may restrict by law, internal policies or otherwise, the Portfolio Manager from purchasing or selling investments for itself or its clients (including the Issuer) or otherwise using or receiving such information for the benefit of the Issuer or its other clients or itself. In order to maintain flexibility for investment activities without violating securities laws that restrict trading while in possession of material non-public information, the Portfolio Manager may establish information walls restricting its access to material non-public information that might otherwise be available to it through the Issuer's investments in loans.

### *Capital Structure Conflicts*

There can be situations in which the same team of the Adviser's investment professionals invests Client assets in certain parts or particular issuances of an entity's capital structure at the same time that other Clients or the Related Parties are investing in or holding positions in different parts of that same entity's capital structure. These situations include, for example, investments in instruments that are publicly traded and privately issued, have differing priorities (senior or subordinated), have differing levels of risk and yield, and/or have differing levels or types of rights and benefits. Under normal circumstances, investments in performing instruments that have different ranking of seniority in a capital structure do not raise conflicts of interest. However, there can be circumstances such as when there an issuer is stressed or distressed, in default or is seeking protection from creditors in bankruptcy or reorganization, a conflict can arise in that the action taken in furtherance of the interest of one set of holders (such as the senior bank loan holders or preferred shareholders) are to the potential detriment of other holders of the same issuer's securities or instruments (such as holders of unsecured or subordinated debt or common stock). In such situations certain conflicts arise among the interests of the Client accounts, and any of the Related Party accounts, including conflicts involving: (i) the Adviser's determination to enforce or not enforce certain rights on behalf of its Clients which have an adverse effect on the interests of the Related Parties or the Adviser's proprietary account and *vice versa*, (ii) the Adviser's incentive to make investment decisions which either facilitate or result in more favorable terms for a proposed investment by the Related Parties in a particular entity, or (iii) the Adviser's incentive to preserve or protect the value or rights associated with an investment of an Adviser's Related Party in a particular entity, which have an adverse effect on the interests of the Adviser's Clients.

In such situations, the interests of one group of Clients conflicts with those of other Clients with respect to investments in the same obligor. In managing such investments, the Adviser considers the interests of affected Clients but also at times could pursue or enforce rights on behalf of some Clients in a manner that results in an adverse effect on other Clients with a different type of investment in the same entity. These potential conflicts of interests between the Adviser's Clients become more pronounced in situations in which the entity experiences financial or operational challenges. For example, the Adviser's Related Parties, on behalf of themselves, or the Adviser on behalf of Clients, hold senior debt investments of a particular obligor, determine to foreclose on loans, take steps to put an issuer or borrower into default or seek a liquidation of the issuer. In those circumstances, a Client holding junior debt investments or equity securities can be adversely affected by such actions. The Adviser can also sponsor or support reorganization, recapitalization or similar workout arrangements for an entity in which different the Adviser clients hold different investments. In such circumstances, accounts holding different types of investments will be affected according to the right associated with the type of investment in their account. These actions by the Adviser could (a) require additional investments from Clients holding junior classes of securities or instruments that directly or indirectly refinance senior securities or instruments held by other Clients, or (b) in some cases, could result in a substantial or even total loss of investment for Clients holding junior securities or other financial instruments. Any of the foregoing has the potential to adversely affect the prices and availability of other securities or instruments issued by that particular entity that are held by or considered for investment for other Clients. Although certain of these conflicts cannot be mitigated, the Adviser's policies and procedures could result in the use of, among other things, separate legal counsel (e.g., where the conflict involves an affiliate of the Adviser) or other techniques to seek to separately attend to the differing interests or rights of different sets of Clients and/or investors.

#### *The Adviser and its Related Parties Ownership of Funds and CLOs*

The Adviser and its Related Parties invest in each CLO, as may be required by applicable risk retention rules, and some but not all Funds and CLOs. Such ownership interests vary, perhaps significantly, among Funds and such Related Parties enjoy more favorable terms (including, but not limited to, fees, reporting and/or liquidity) than other Clients, and non-affiliated investors in the same Funds and CLOs. Interests are acquired upon initial issuance or through secondary market transactions. Further, there is no assurance that

such holdings will remain unchanged over time or that the Adviser's or its Related Parties' interest will remain aligned with Clients, investors or any particular class of investors or Note holders.

### *Allocation of Investment Opportunities*

The Adviser may advise multiple clients with similar investment strategies. If an investment opportunity is appropriate for more than one Client, the Adviser determines, in its sole discretion, which Clients participate in the investment opportunity and to what extent. This could result in a Client receiving no allocation of a particular investment or receiving an allocation of an investment which is less than it would otherwise have received if the Adviser did not have multiple Clients.

In the event the Adviser determines that more than one Client should purchase or sell the same debt obligations simultaneously, the Adviser anticipates that such aggregate purchases or sales will be allocated in a manner believed by the Adviser in its discretion to be equitable to each purchaser or seller and intended to insure, to the extent possible that all of the Adviser's clients or accounts receive equitable treatment. It is possible, due to differing investment objectives or other reasons, that the Adviser may purchase debt obligations of an issuer for one client or account and sell such debt obligations for another client or account.

The Adviser has policies and procedures, to be followed when applicable, designed to allocate investment opportunities to Clients in a manner it deems to be fair and equitable taken as a whole (including, a complete opt out of an allocation) over time, consistent with the Client's investment strategy, guidelines and objectives. Accordingly, the Adviser weighs factors it deems relevant when determining which Client portfolios receive particular investment allocations and to what extent. Such factors include, among others, investment objectives, target returns/yields, risk tolerance, investment guidelines, limitations and restrictions, market conditions, internal investment policies, expected duration of the investment, maturity constraints, cash positions or needs, existing and target issuer and industry exposures, issue size, tax gains/losses and any other factor deemed relevant by the Adviser in good faith. There is no assurance that any or all of these factors will be considered when making allocation decisions. The Adviser weighs any of these factors and other factors deemed relevant differently for each Client and therefore it should be expected that Client portfolios will hold differing proportional amounts of the same investment. Accordingly, it is possible that each and every Client will not receive an allocation of each and every investment opportunity. As such, the Adviser's policy affords it substantial discretion in allocating investment opportunities and the exercise of such discretion will affect Client performance. It is likely that certain Clients will not participate in the gains or losses realized by other Clients with similar investment objectives and it is unlikely that all Client portfolios will hold the same positions or will perform similarly, even when Clients share the same investment strategy and/or investment objective.

### **Item 12. Brokerage Practice**

Generally, the Adviser will have the authority to select broker-dealers to execute the Clients' investment transactions. The Adviser will consider a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates; thus the Clients may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.



For the Adviser's strategies which focus on credit markets, Clients generally do not pay commissions in connection with executing transactions but will typically be subject to spreads or other trading costs. Moreover, due to the nature of credit markets and, in particular, leveraged loans, there is often a limited universe of counterparties offering or making a market in these instruments. Often, there is only one counterparty offering an investment and Adviser frequently does not have multiple counterparties to select from when making a "best execution" determination. Therefore, Adviser transacts not only with banks and broker-dealers but will also transact with other participants in the credit markets such as funds and fund managers.

The Adviser will attempt to obtain the best execution on all transactions. If the Adviser believes more than one broker or dealer can provide the best execution, it may consider research and related services and the sale of securities of funds managed by the Adviser, or its affiliates, when selecting a broker or dealer.

The Adviser gives consideration to placing transactions with counterparties who provide research and other services to the Client or the Adviser, although the Adviser does not anticipate that its activity will generate soft dollars.

From time to time, the Adviser may place an aggregated order for execution orders for publicly traded securities for the accounts of two or more Clients. The Adviser has discretion to, but is not obligated to, aggregate Client trades when such aggregation is reasonably expected not to be disadvantageous to any participating Client. Clients benefit from aggregated trades through favorable execution quality or lower execution costs. Aggregation opportunities for the Adviser generally arise when more than one Client is capable of purchasing or selling a particular asset based on investment objectives, available cash and other factors. There is no assurance that the aggregation of orders will always decrease execution costs or result in more favorable execution relative to non-aggregated trades. Orders which are not aggregated are generally executed at prices prevailing at the time of the transaction which may be greater or less than the execution price of an aggregated trade. Further, orders which are not aggregated will not be average priced.

As specified in the Offering Documents, as a general matter, the Portfolio Manager will allocate investment opportunities among the Issuer and Other Accounts in a manner that is consistent with an allocation methodology established by the Portfolio Manager reasonably designed to ensure allocations of opportunities are made over time on a fair and equitable basis. In determining allocations of investments, the Portfolio Manager will take into account such factors as it deems appropriate, which include, for example and without limitation, investment objectives and focus; target investment size and target returns; available capital, the timing of capital inflows and outflows and anticipated capital contributions and subscriptions; liquidity profile; applicable concentration limits and other investment restrictions; mandatory minimum investment rights and other contractual obligations applicable to participating vehicles and accounts and/or to their investors; portfolio diversification; tax efficiencies and potential adverse tax consequences; regulatory restrictions applicable to participating vehicles and accounts and investors that could limit the Issuer's ability to participate in a proposed investment; policies and restrictions (including internal policies and procedures) applicable to participating vehicles and accounts, the avoidance of odd-lots or cases where a pro rata or other defined allocation methodology would result in a de minimis allocation to one or more participating vehicles and accounts; the potential dilutive effect of a new position; the overall risk profile of a portfolio; the potential return available from a debt investment as compared to an equity investment; the potential effect of the Issuer's performance (positive and negative); and any other considerations deemed relevant by the Portfolio Manager Affiliates. The outcome of any allocation determination by the Portfolio Manager may result in the allocation of all or none of an investment opportunity to the Issuer or in allocations that are otherwise on a non-pro rata basis. Certain investments made by the Issuer may be made on a co-investment basis alongside Other Accounts that target one or more categories of such investments as part of their investment strategy, in which case such Other Accounts may be allocated investment opportunities in priority to the Issuer in accordance with the requirements of such

Other Accounts as determined by the Portfolio Manager. Such priority allocations may result in a de minimis or no amount of any particular investment opportunity being made available to the Issuer. There can be no assurance that the Issuer will have an opportunity to participate in certain investments that fall within the Issuer's investment objectives.

The Portfolio Manager may, but is not obligated to, aggregate orders placed simultaneously in order to seek best execution and reduce transaction costs to the extent permitted by applicable law. Subject to the preceding sentence, the Portfolio Manager may, in the allocation of business, select brokers and/or dealers with whom to effect trades on behalf of the Issuer and may open cash trading accounts with such brokers and dealers. In addition, subject to the first sentence of this paragraph, the Portfolio Manager may, in the allocation of business, take into consideration the full range of a broker-dealer's services in assessing best execution, including, but not limited to: (i) competitiveness of commission rates and spreads, (ii) promptness of execution, (iii) past history in executing orders, (iv) clearance and settlement capabilities, (v) access to markets, investments (including access to new issues) and distribution network, (vi) trade error rate and ability or willingness to correct errors, (vii) anonymity/confidentiality, (viii) market impact, (ix) liquidity, (x) speed of execution, (xi) expertise with complex investments, (xii) trading style and strategy, (xiii) geographic location and (xiv) research capabilities and quality and other services provided by such broker or dealer to the Portfolio Manager which are expected to enhance its general portfolio management capabilities (collectively, "Research"), notwithstanding that the Issuer may not be the exclusive beneficiary of such Research. Transactions may be executed as part of concurrent authorizations to purchase or sell the same investment for Other Accounts served by the Portfolio Manager or its Affiliates (including the Issuer, collectively the "Portfolio Manager Accounts"). When portfolio decisions are made on an aggregated basis, the Portfolio Manager may, in its discretion, place a large order to purchase or sell a particular asset or investment for the Issuer and the accounts of several other clients. The Issuer understands that because of prevailing trading activity, it may not be possible to receive the same price or execution on the entire volume of assets or investments purchased or sold. When this occurs, the various prices may be averaged and the Issuer will be charged or credited with the average price. The effect of the aggregation may operate on some occasions to the Issuer's disadvantage.

### **Item 13. Review of Accounts**

The Members regularly review and monitor the Clients' investment portfolios to determine whether positions should be maintained in view of current market conditions. The Adviser's review may consider specific securities held, adherence to investment guidelines and the Clients' performance.

Fund investors receive reports as described in the Funds' Offering Documents.

### **Item 14. Client Referrals and other Compensation**

The Adviser does not, nor do any principals or employees of the Adviser, receive any economic benefit from non-clients for providing advisory services to the Clients.

The Adviser is not a party to any arrangement to pay a third party for Client referrals. However, see Item 8 herein for a discussion of the conflicts of interest associated with the placement agents to find investors in future Clients.

### **Item 15. Custody**

The Adviser does not have direct or indirect access to the Warehouse's or the CLO's assets which are custodied with the Warehouse and CLO Trustee, a third-party banking institution.

#### **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to its Client. The Adviser provides investment advice to each Client and not individually to CLO Note holders, CLO Equity holders or Fund investors. Please see Item 4 as well as the relevant Offering Documents for a description of any limitations the Clients may place on the Adviser's discretionary authority.

The Adviser entered into an investment management agreement with each of the Clients, which sets forth the scope of the Adviser's discretion, prior to assuming full discretion in managing the Clients' assets. Each investor is also required to sign certain Offering Documents prior to investing in the Funds.

#### **Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of a Client, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to a Client's securities, such proxies are voted in the best interests of the Client.

If a material conflict of interest between the Adviser and the Clients exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Clients or take some other appropriate action.

With respect to its credit portfolios, the Adviser is asked to consent to waivers or amendments to credit agreements or make elections with respect to corporate reorganizations. When evaluating such requests, the Adviser generally acts in a manner designed to serve the best economic interests of its Clients or avoid a negative impact on such Clients, as determined by the Adviser in its reasonable discretion, taking into account, as relevant, the impact on the value of the Client's investments, anticipated costs and benefits, amendment fees, standard industry and business practices, and potential conflicts of interest. If the Adviser does not believe the exercise of a consent will not have a material impact on the Client(s) or the underlying credit or that the cost and time commitment required to process the amendments outweighs the benefits of consenting to or withholding consent to a loan amendment, the Adviser, in its discretion, abstains or does not respond.

For additional information about the Adviser's proxy voting policies and procedures and information about how the Adviser voted the Clients' proxies contact Yvonne Stevens at 424-220-6450 or YStevens@halseypoint.com.

#### **Item 18. Financial Information**

The Adviser does not charge any fees six months or more in advance.

The Adviser is not aware of any financial condition that is likely to impair its ability to meet its contractual commitments to the Clients.

The Adviser has never been the subject of a bankruptcy petition.