



# NASSAU CORPORATE CREDIT

A NASSAU RE COMPANY

## **NASSAU CORPORATE CREDIT LLC** (AND CERTAIN OF ITS INVESTMENT ADVISORY AFFILIATES)

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### **FORM ADV PART 2A: FIRM BROCHURE**

**May 8, 2020**

**This brochure provides information about the qualifications and business practices of Nassau Corporate Credit LLC. If you have any questions about the contents of this brochure, please contact us by phone at (203) 902-5522. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Nassau Corporate Credit LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Nassau Corporate Credit LLC’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

The previous update to this Form ADV Part 2A firm brochure was made on March 30, 2020. Since then, the firm description and related information in Item 4 of this Form ADV Part 2A firm brochure has been updated to reflect a reorganization of the entities that indirectly beneficially own the firm, which such reorganization did not result in a change in control of the firm. The foregoing is a summary of only those changes made since the most recent update of this Form ADV Part 2A firm brochure that the firm believes are material.

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## Item 4. Advisory Business

### A. Firm Description

Nassau Corporate Credit LLC, a Delaware limited liability company (“**NCC**”), is an investment advisory firm that began operations in May 2017 and has a principal place of business in Darien, Connecticut and an office in New York, New York. NCC is a subsidiary of Nassau Asset Management LLC, a Delaware limited liability company (“**NAM**”), which is itself a wholly-owned subsidiary of Nassau Financial Group, L.P., a Cayman Islands exempted limited partnership (“**Nassau Group**”). Nassau Group is a subsidiary of GGCOF Nassau Investments, L.P., a Cayman Islands exempted limited partnership and wholly-owned subsidiary of Nassau NAMCO Splitter, L.P., a Cayman Islands exempted limited partnership (“**NAM Splitter**”). NAM Splitter is owned and controlled by certain private investment funds sponsored and managed by Golden Gate Private Equity, Inc.

NAM was founded by Phillip J. Gass and Kostas Cheliotis in 2015.

Alexander Jackson IV is the Chief Investment Officer of each of NCC and its wholly-owned subsidiary NCC CLO Manager LLC, a Delaware series limited liability company (“**NCLOM**” and, together with NCC, the “**Firm**”).

### B. Types of Advisory Services

The Firm provides investment advisory services (i) as a collateral manager for pooled investment vehicles that are collateralized loan obligation funds (collectively, the “**CLOs**” and each a “**CLO**”) and warehouse facilities used to facilitate the ramping of the loan portfolio of CLOs expected to be managed by the Firm (collectively, the “**Warehouse Facilities**” and each a “**Warehouse Facility**”), and (ii) directly and indirectly through a subadvisory agreement with NAM, both on discretionary and nondiscretionary bases, to institutions, including insurance companies, with which the Firm and NAM are affiliated. As of the date of this Form ADV Part 2A firm brochure, NCLOM serves as the collateral manager for each of:

- Nassau 2017-I Ltd. (“**CLO 2017-I**”);
- Nassau 2017-II Ltd. (“**CLO 2017-II**” and, together with CLO 2017-I, the “**2017 CLOs**”);
- Nassau 2018-I Ltd. (“**CLO 2018-I**”);
- Nassau 2018-II Ltd. (“**CLO 2018-II**” and, together with CLO 2018-I, the “**2018 CLOs**”);
- Nassau 2019-I Ltd. (“**CLO 2019-I**”);
- Nassau 2019-II Ltd. (“**CLO 2019-II**” and, together with CLO 2019-I, the “**2019 CLOs**” and, together with the 2017 CLOs and 2018 CLOs, the “**Nassau CLOs**”); and
- Nassau 2020-I Ltd. (“**Warehouse Facility 2020-I**”).

In addition to providing advisory services to the Nassau CLOs, Warehouse Facilities and affiliated institutions, NCC serves as the manager of each of Nassau CLO SPV-I LLC (“**CLO SPV-I**”) and Nassau CLO SPV-II LLC (“**CLO SPV-II**” and, together with CLO SPV-I and similar entities formed in the future, the “**CLO SPVs**” and each a “**CLO SPV**”), which are special purpose vehicles through which personnel of the Firm and certain of its affiliates invest in certain of the Nassau CLOs. The Firm may also, in the future, provide additional types of investment advisory services or may provide services to additional types of clients.

The CLOs and Warehouse Facilities for which the Firm currently performs, and anticipates performing in the future, investment advisory services are expected to invest primarily in senior bank loans and other

corporate loans or debt instruments. The Firm may employ leverage through total return swap facilities, cash flow financing, or other warehousing facilities either directly or in special purpose vehicles in order to facilitate an effective ramp-up for Warehouse Facilities during a warehouse period.

### **C. Availability of Customized Services**

Each CLO and Warehouse Facility is or will be managed based on its objectives, which are specified in the relevant offering materials and investment advisory agreements. Investment advisory services provided to the Firm's affiliates are specified in the investment advisory agreement with NAM. Management services provided to CLO SPVs are specified in the CLO SPVs' governing documents and offering materials. In connection with managed accounts and CLOs having a limited number of investors, the Firm may in some cases agree to tailor advisory services to the individual needs of the managed account owner or investors in such CLOs. The offering documents for each CLO describe the terms and conditions of the CLO, including fees and risk factors, and should be read carefully prior to investment. No offer to sell interests in the CLOs is made by the descriptions in this brochure, and CLOs are available only to investors that are properly qualified.

While much of this brochure applies to all of the Firm's clients, certain information included herein applies to specific clients only. Thus, it is crucial for any client, prospective client, CLO investor, prospective CLO investor, CLO SPV investor or prospective CLO SPV investor to closely review the applicable investment advisory agreement, offering document, organizational agreement or other governing documents with respect to, among other things, the terms, conditions and risks of investing.

### **D. Wrap Fee Programs**

The Firm does not participate in wrap fee programs.

### **E. Assets Under Management**

As of December 31, 2019, the Firm managed approximately \$2,974,550,562, of which amount approximately \$2,901,040,567 was managed on a discretionary basis and approximately \$73,509,995 was managed on a non-discretionary basis.

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

### **A. Compensation**

Compensation to the Firm for services provided to NAM and the Warehouse Facilities takes the form of management fees, and compensation to the Firm for services provided to the Nassau CLOs takes the form of management fees and an incentive fee. The Firm does not receive compensation for managing CLO SPVs.

It is anticipated that compensation to the Firm for services provided to other Warehouse Facilities, other CLOs and other clients may take the form of management or performance fees, carried interest or other incentive-based compensation related to the performance of such Warehouse Facilities, CLOs or other client accounts. Such compensation may be paid to the Firm or an affiliate of the Firm. In some cases, it is possible that these fees may be negotiated with a client prior to engagement. It is also anticipated that the Firm will not receive compensation for managing other CLO SPVs.

## **B. Payment of Fees**

Management fees paid by NAM are based on the book value of the assets managed by the Firm less certain liabilities, and are paid quarterly in arrears. Management fees paid by the Warehouse Facilities are based on the principal value of the assets held within each Warehouse Facility, and are paid at the end of the warehouse period. Management fees paid by the Nassau CLOs are based on the cash and principal value of the assets held within each Nassau CLO, and are paid quarterly in arrears. Incentive fees paid by the Nassau CLOs will be payable later in the Nassau CLOs' lives after investors have received a specified target return.

For other clients, management fees are expected to be paid quarterly in arrears by either (i) managed account clients based on the fair market value of the assets within their account or (ii) CLOs based on the cash and principal value of the assets held within each CLO. It is anticipated that management Fees paid by Warehouse Facilities will be paid at the end of the warehouse period, and performance fees paid by CLOs will be paid later in each CLO's lifespan.

Although the foregoing is a brief summary of the management fee and performance fee arrangements applicable to the Firm's clients, please note that this brief summary is not a substitute for the detailed terms provided in the advisory agreement, offering document, organizational agreement or other governing documents of the Firm's clients.

## **C. Additional Expenses**

The expenses paid by the Firm's clients are set forth in detail in the advisory agreement, offering document, organizational agreement or other governing documents of the relevant client. Such expenses may differ among clients and within clients. Thus, although the following is a summary of expenses the Firm's clients may generally bear, it is not an exhaustive or complete list with respect to all clients. Clients and prospective clients should, therefore, review the applicable advisory agreement, offering document, organizational agreement or other governing documents carefully because such documents, and not the summary in this brochure, describe more specifically the expenses such client will bear.

Generally, each of the Firm's clients will bear its own operating and other expenses, which may include, but not be limited to:

- Management fees and performance-based compensation paid to the Firm;
- Expenses and fees related to the evaluation and development of investments (*e.g.*, investment-related travel and lodging expenses, quotation service expenses, appraisal fees, consulting fees, rating agency expenses, and pricing and valuation fees, and other due diligence expenses), regardless of whether a transaction for such investment is consummated;
- Expenses and fees related to the acquisition, hedging and disposition of investments (*e.g.*, private placement fees, arranger fees, syndication fees, private placement fees, investment banking fees, commitment fees, servicing fees, brokerage fees, commissions, mark-ups or mark-downs, settlement fees, breakup fees, and other transaction fees);
- Expenses and fees related to the monitoring and holding of investments (*e.g.*, interest expense, recordkeeping expenses, custody fees, bank charges, and risk management expenses);
- Interest and expenses related to client borrowings and indebtedness;
- Legal expenses;
- Costs associated with regulatory compliance (*e.g.*, expenses related to anti-money laundering monitoring, expenses related to investor-related compliance obligations (such as AIFMD and

FATCA), expenses related to investment-specific regulatory filings (such as Hart-Scott-Rodino notifications), and expenses related to non-position-specific regulatory filings (such as Forms PF and Forms D));

- Expenses of forming, maintaining and winding up private investment fund vehicles and transaction vehicles or subsidiaries (*e.g.*, formation and organizational expenses, expenses related to the maintenance of offering documents and disclosure, trustee expenses and administrator expenses);
- Government fees, taxes and levies;
- Costs and expenses related to indemnification obligations;
- Insurance premiums and other insurance-related expenses;
- Expenses related to services provided by affiliates of the Firm (*e.g.*, shared service expenses); and
- Other costs, expenses and fees to be described in the offering memorandum of each CLO or CLO SPV, investment advisory agreement entered into with each client, or applicable organizational or governing document of the client.

Expenses to be borne by more than one client will be allocated across the applicable clients in a manner determined by the Firm to be fair and equitable and consistent with its policies and procedures, generally *pro rata* based on the size of the applicable investment, client or account (as applicable).

#### **D. Advance Payment of Fees**

As a general matter, the Firm bills for services in arrears.

#### **E. Compensation for Sale of Securities or Other Investment Products**

Neither the Firm nor any of its supervised persons receives any transaction-based compensation for the sale of investment instruments.

A description of the brokerage and other transaction costs that are borne by the Firm's clients is in Item 12 of this brochure.

### **Item 6. Performance-Based Compensation and Side-by-Side Management**

As described in Item 5 above, the Firm and/or its affiliates receive compensation from certain clients partly in the form of performance-based compensation. However, such performance-based compensation may not be charged in the same amount or manner for all clients. The variation of performance-based compensation structures among clients may give rise to conflicts of interest. For example, variations create an incentive for the Firm to (i) disproportionately allocate time, services or functions to, (ii) direct the best investment ideas to, or (iii) allocate the sequence of trades in favor of, clients that have a performance-based compensation arrangement more favorable to the Firm. The Firm is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address such conflicts of interest. These policies and procedures are described in more detail in Item 11 of this brochure.

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

The Firm's primary activity is to provide investment advisory services to CLOs, which are pooled investment vehicles generally offered to investors that are, in the case of U.S. investors, "qualified purchasers" as defined in the Investment Company Act of 1940 (the "*Investment Company Act*") and/or "qualified institutional buyers" as defined in Rule 144A under the Securities Act of 1933. It is expected that the Firm will generally provide investment advice to its clients (including the CLOs and CLO SPVs), and not individually to the investors in the CLOs, CLO SPVs or any other clients. The Firm also advises, indirectly via a subadvisory agreement with its parent entity, insurance companies with which the Firm is affiliated, and Warehouse Facilities. The Firm also manages the CLO SPVs, which are special purpose vehicles that invest in the CLOs.

With respect to any client that is a CLO, CLO SPV or other pooled investment vehicle, minimum subscription or investment amounts will be disclosed in the relevant offering memorandum.

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

The descriptions set forth in this brochure of specific advisory services that the Firm offers to its clients, and investment strategies pursued and investments made on behalf of its clients, should not be understood to limit in any way the Firm's investment activities. The Firm may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that it considers appropriate, subject in each case to the relevant client's investment objectives and guidelines.

### **A. Methods of Analysis and Investment Strategies**

The Firm utilizes a variety of methods to make investment decisions and recommendations. The Firm actively manages its clients' portfolios using a fundamental, research-driven approach, employing both bottom-up and top-down analyses. The Firm generally conducts an in-depth review of the target investments, which may include, without limitation, (i) analyses of corporate activities and financials, (ii) reviews of annual reports, prospectuses and other filings with the U.S. Securities and Exchange Commission (the "*SEC*"), if any, and (iii) where appropriate, interviews and meetings with senior management of such target investments. In addition, the Firm utilizes a liquidity-oriented, high-yield strategy for one of its insurance affiliates via the Firm's subadvisory agreement with NAM.

Generally, the Firm seeks to capitalize on both long- and short-term inefficiencies in the market while investing across a range of investments. Potential investments are analyzed through a thorough review of the fundamentals of the economy in general, as well as a review of the particular industry, and the strengths and weaknesses of each individual investment, using a variety of internal and external resources.

Clients and investors in CLOs and CLO SPVs should be aware that investing in securities and other investment instruments involves risk of loss that clients and such investors should be prepared to bear.

### **B. Material Risks of Investment Strategies**

The investment strategies the Firm uses entail substantial risks, including, but not limited to, those identified below. Further details regarding these risks and other applicable other risk factors are included in the offering documents of the CLOs and CLO SPVs for which the Firm performs investment advisory services, or in the advisory agreement or other documentation furnished to other clients. Clients, prospective clients, and investors and prospective investors in the CLOs and CLO SPVs are advised to carefully review all risk



factors described in such documents. The following is not intended to supersede the material contained in such documents.

***No Ability to Make Decisions.*** Investors in CLOs and CLO SPVs have no authority to make investment decisions on behalf of the CLO or CLO SPV, respectively.

***Dependence on Key Individual.*** The success of the Firm's clients depends upon the ability of the Firm, particularly those of Mr. Jackson, to develop and implement investment strategies that achieve the Firm's clients' investment objectives. If the Firm was to lose the services of Mr. Jackson, the consequences to its clients could be material and adverse. Furthermore, the employees of the Firm are shared employees made available to it under a Shared Services Agreement with affiliates (the "***Shared Services Providers***"). The Firm is relying extensively on the experience, relationships and expertise of these persons over which it does not have direct control. There can be no assurances that these people will remain with the Shared Services Providers or will otherwise continue to be able to carry on their current duties to the Firm under the Shared Services Agreement or that the Shared Service Providers will be able to attract and retain replacements or additional persons when needed. The loss of the services of one or more of these professionals could have an adverse impact on the ability of the Firm to perform its duties.

***Reliance Upon Relationships with Investment Banks, Commercial Banks and CLO Managers.*** The Firm depends on its relationships with investment banks and commercial banks, and clients will rely to a significant extent upon these relationships to provide them with potential investment opportunities. If the Firm fails to maintain its existing relationships or develop new relationships with other sources of investment opportunities, the Firm may not be able to grow its clients' investment portfolios. In addition, individuals with whom the Firm has relationships are not obligated to provide the Firm's clients with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for clients.

***Absence of Regulatory Oversight.*** While the CLOs and CLO SPVs for which the Firm performs investment advisory and/or management services may be considered similar to investment companies, no CLO or CLO SPV is required to, nor will it, register as an investment company under the Investment Company Act or the laws of any jurisdiction and, accordingly, the provisions of such statutes (which may provide certain regulatory safeguards to investors) will not be applicable.

***Conflicts of Interest.*** Various potential and actual conflicts of interest may arise between and among the Firm, its clients (including the CLOs) and each of their affiliates. The following briefly summarizes some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

#### Receipt and Permissible Use of Certain Market Information

The Firm and/or its affiliates will likely, from time to time, cause certain of their respective clients to invest in securities or other investment instruments that would be appropriate as obligations to be acquired by one or more of the Firm's other clients. The Firm and/or its affiliates may also have ongoing relationships with, render services to or engage in transactions, either directly and/or through one or more clients, that invest: (i) in assets of a similar nature to those of one or more of the Firm's clients; and (ii) with companies whose securities or loans are acquired by one or more of the Firm's clients and may own equity or debt securities of such companies. As a result, certain principals, members, directors, officers, employees or affiliates of the Firm and its affiliates may possess information relating to issuers of investment instruments held in certain client accounts that is not known to the individuals at the Firm responsible for monitoring investments held in such accounts. Accordingly, there may be circumstances in which the Firm will be restricted from effecting purchases and/or sales of assets on behalf of one or more of its clients. At times,

the Firm, in an effort to avoid such restrictions, may elect not to receive certain information that other market participants are eligible to receive or have received.

#### Differing Valuation Methodologies

Various of the Firm's clients may require the Firm and/or its affiliates to apply different valuation methodologies in valuing specific investments. As a result of such different methodologies, the assigned values of certain investments held in certain of the Firm's client accounts may differ from the value assigned to the same investments held by certain other Firm client accounts which, in turn, could result in different calculations of management fees for different clients holding the same investments.

#### Conflicting Investments or Roles Among Clients

The Firm and its affiliates and their respective clients and personnel may invest, or have already invested, in securities or other financial instruments that are senior or junior to securities or financial instruments of the same issuer that are held or may be acquired by one or more Firm clients. In addition, the Firm and/or its affiliates and their respective personnel may serve as a general partner, adviser, officer, director, sponsor or manager of funds and/or entities organized to issue collateralized debt obligations secured by assets similar to investments held in certain of the Firm's client accounts. In addition, certain of the Firm's clients may, but are not required to, invest in investment vehicles managed by one or more of the Firm or its affiliates. The Firm recognizes that conflicts may arise under such circumstances and will endeavor to treat each of the Firm's clients fairly and equitably.

#### Conflicts Regarding Investment Allocations

It is the policy of the Firm to allocate investment opportunities among the Firm's clients so as to not favor one client account over another. However, the Firm may be unaware of, and will not generally take into account, investments made by or opportunities presented to other affiliates of the Firm. The Firm will have no obligation to purchase, sell or exchange any security or financial instrument for one Firm client that the Firm may purchase, sell or exchange for another client if the Firm believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for such other client. There is no assurance that the Firm's clients with strategies or investment objectives that are similar will hold the same assets or perform in a similar manner.

Because of the nature of the fixed income markets, as well as specific client guidelines and objectives, *pro rata* allocation of investment opportunities by the Firm among its clients may not be feasible in all circumstances. Accordingly, the Firm does not prescribe one specific manner in which securities or financial instruments are allocated among its clients, and the Firm may use *pro rata*, rotational, percentage, or other allocation methods. An allocated transaction may be modified if strict adherence to an anticipated allocation may lead to impractical or undesirable results such as odd lots or *de minimis* allocations. The factors that the Firm may consider in allocating investments among its clients include, but are not limited to, (i) variations in investment objectives, (ii) variations in investment parameters and/or restrictions, (iii) other investment opportunities that may be available to one client but not another, (iv) portfolio limitations due to margin or credit facility requirements, (v) legal, regulatory or contractual limitations or requirements, (vi) tax considerations, (vii) liquidity needs, (viii) concentration limitations relative to a particular issuer, industry, sector or geographic region, or (ix) timing considerations. In certain circumstances, the Firm may give special consideration to certain of its clients, such as new clients (including those in which the Firm and/or its affiliates or their personnel may have an interest) with a substantial amount of available cash. The

investment decisions of the Firm and its affiliates may result in different investment decisions and allocations even with respect to the Firm's clients with similar investment objectives.

#### Conflicts Regarding Trade Execution

The Firm seeks to obtain the best execution for all orders placed with respect to any trade in a manner it believes to be in the best interests of the participating clients. In allocating brokerage business, the Firm may take into account a number of considerations, including but not limited to, (i) quality of execution, (ii) reputation, financial strength and stability, (iii) willingness to execute difficult transactions, (iv) access to underwritten offerings and secondary markets, (v) ongoing reliability, (vi) overall costs of a trade, (vii) desired timing of the transaction and size of trade, and (viii) market intelligence regarding trading activity. Although the Firm seeks competitive prices, it may not necessarily obtain the lowest price for a particular transaction.

The Firm may, in the allocation of business, take into consideration research and other brokerage services furnished to the Firm and/or its affiliates. Such services may be used by the Firm in connection with its other advisory activities or investment operations.

#### Conflicts Regarding Aggregate Investment Transactions

Orders for investments placed at the same time for two or more of the Firm's clients may, but are not required to, be "batched" or placed as an aggregated order for execution. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will generally receive the average price with transaction costs allocated *pro rata* based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by the Firm. In the event of a partial fill, allocations may be modified on a basis that the Firm deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. The Firm may elect not to aggregate trades. In such cases where no orders are aggregated, trades are processed in the order they are placed with the broker or counterparty selected by the Firm. As a result, certain trades in the same security or investment instrument for one client (including a client in which an affiliate of the Firm or its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved. The Firm generally will not aggregate orders with, or otherwise coordinate the purchase or sale of, investments with affiliates of the Firm.

#### Conflicts Regarding Investment Decisions Among the Firm and its Affiliates

The Firm and its affiliates may have or establish relationships with companies, including acting as sponsor, equity investor, adviser, lender or agent bank, whose equity securities or debt obligations are assets held in one or more of the Firm's client accounts, or may be considered for purchase by one or more of the Firm's clients, and may now or in the future own or seek to acquire equity securities or debt obligations issued by issuers of assets held in one or more of the Firm's client accounts, and such securities or obligations may have characteristics or interests different from or adverse to assets held in such client accounts. The Firm and its affiliates may buy, sell, or hold securities or other instruments for themselves and/or on behalf of one or more clients (including a client in which an affiliate of the Firm or its personnel may have a direct or indirect interest) while the Firm is making different investment decisions with respect to one or more other clients and *vice versa*. In addition, the Firm and its affiliates may engage in any other business and furnish investment management and advisory services to certain of the Firm's clients, including persons that may have investment policies similar to those followed by the Firm with respect to other clients and which may own securities of the same class, or of the same type, as those owned by other clients. The Firm

will be free, in its sole discretion, to make recommendations to clients, or effect transactions on behalf of itself or for others, which may be the same as or different from those it effects or directs others to effect for other clients. Neither the Firm nor any of its affiliates is under any obligation to offer investment opportunities of which it or they become aware to any Firm client or to account to any client, CLO investor or CLO SPV investor (or share with any client, CLO investor or CLO SPV investor, or inform any of them of) any such transaction or any benefit received by them from any such transaction or to inform any Firm client, CLO investor or CLO SPV investor of any investments before offering such investments to any other Firm client(s). The Firm and its affiliates may make an investment on behalf of any client that they manage or advise without offering the investment opportunity to, or making any investment on behalf of, any other Firm client. Furthermore, the Firm and its affiliates may make an investment on their own behalf without offering the investment opportunity to any Firm client or the Firm on behalf of any Firm client. Affirmative obligations may exist or may arise in the future whereby the Firm and/or its affiliates are obligated to offer certain investments to certain Firm clients before or without the Firm offering those investments to other clients. The Firm may make investments on behalf of certain of its clients in securities, or other assets, that it has declined to invest in for its own account, the account of any Firm affiliates or the account of any other Firm client. The Firm will endeavor to resolve conflicts arising therefrom in a manner that it deems equitable to the extent possible under the prevailing facts and circumstances and applicable law.

#### Conflicts Regarding Time Commitments

Although the Firm and the personnel available to it will devote as much time to each of the Firm's clients as the Firm deems appropriate to perform its duties in accordance with the applicable investment management agreement and in accordance with reasonable commercial standards, such personnel may have conflicts in allocating time and services among the Firm's clients.

#### Conflicts Regarding Other Activities of the Firm and its Affiliates

There is no limitation or restriction on the Firm or its affiliates with regard to acting as investment manager to multiple client accounts. This and other future activities of the Firm and its affiliates may give rise to additional conflicts of interest and/or intensify the conflicts of interest already described in this brochure.

#### Limited Ethical Screens or Information Barriers

The Firm and certain of its affiliates currently share a principal place of business, and certain of the same principals, members, directors, officers and employees. The Firm and such affiliates have endeavored to put into place ethical and information barriers among the Firm and such affiliates of the type that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. Nevertheless, if the Firm, its affiliates or any of their personnel were to receive material non-public information about an issuer of a security, the Firm might be prevented from causing the purchase or sale of such security or another investment instrument due to internal restrictions imposed on the Firm. Notwithstanding the maintenance of certain internal controls relating to the management of material non-public information, it is possible that such controls could fail and result in the Firm, or one of its investment professionals, buying or selling a security or other investment instrument while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the Firm's reputation and/or result in the imposition of regulatory or financial sanctions on the Firm, its affiliates, its personnel and/or one or more of the Firm's clients and, as a consequence, negatively impact the Firm's ability to perform its investment management services for the Firm's clients.

### Other Potential Conflicts of Interest

Affiliates of the Firm may, in the future, provide other services to the Firm's clients and/or may receive fees from them in other capacities. Other present and future activities of the Firm and its affiliates may give rise to additional conflicts of interest.

***Lack of Diversification.*** The Firm's client accounts will be limited in the types of investments the Firm acquires on their behalf. Such lack of diversification could increase volatility.

***Concentrated Portfolio.*** The CLO SPVs will only make a limited number of investments, and because investments in the CLOs involve a high degree of risk, poor performance by a few of the CLOs in which a CLO SPV is invested could severely affect the total returns to investors in such CLO SPV.

***Long Term Commitment.*** Capital commitment obligations to the CLO SPVs will be outstanding for a number of months, and capital and profits, if any, from the CLO SPV's investment in a CLO may not be realized until the redemption, repayment or other disposition of such CLO investment. The CLO SPVs will generally expect to hold or remain committed with respect to CLO investments for a number of years.

***Execution Risks and Investment Manager Error.*** The execution of the trading and investment strategies employed by the Firm will often require complex trades, difficult to execute trades, the use of negotiated terms with counterparties and/or the execution of trades involving less common or novel instruments. In each case, the Firm will seek to negotiate, settle and clear such trades without miscommunication or other error. However, in light of the complexity involved, some miscommunications and other errors, including miscommunications with brokers and counterparties, are inevitable and could result in losses to the Firm's clients.

***No Assurance of Investment Return.*** There is no assurance that the Firm will be able to generate returns for its clients or that the returns will be commensurate with the risks of investing in the type of investments pursued by the Firm's clients. An investment in a CLO and/or CLO SPV should only be considered by persons who can afford a loss of their entire investment.

***Cybersecurity.*** The Firm, as well as service providers to the Firm and/or its clients, store and transmit large amounts of electronic information, including information relating to the Firm's clients' transactions. The computer systems, networks and devices used by the Firm and service providers to the Firm and/or its clients to carry out routine business operations employ a variety of protections that the Firm believes are reasonably designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices potentially can be breached. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. The Firm's clients and/or investors in the CLOs and/or CLO SPVs could be negatively impacted as a result of a cybersecurity breach, including but not limited to, (a) disruptions to business operations, (b) interference with the ability to calculate the value of assets in client portfolios, (c) impediments to trading, and (d) the inability to transact business. Similarly, adverse consequences could result from cybersecurity breaches affecting (w) issuers of securities or other investment instruments in which the Firm's clients invest, (x) counterparties with which our clients engage in transactions, (y) governmental and other regulatory authorities, and (z) exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions.

***Clients May be Subject to Third Party Litigation; the CLOs Have Limited Funds Available to Pay Expenses.*** The investment activities by the Firm on behalf of its client may subject such clients to the risks of becoming involved in litigation by third parties. This risk may be greater where the Firm, on behalf of

one or more clients, exercises control or significant influence over a company's direction. The expense of defending claims against a client by third parties, including involuntary bankruptcy petitions, and paying any amounts pursuant to settlements or judgments would, except in the unlikely event that a client is indemnified for such amounts, be borne by such client and, in the case of a CLO and CLO SPVs, would reduce the funds available for distribution.

The funds available to the CLOs and CLO SPVs to pay certain fees and expenses are limited. In the event that such funds are not sufficient to pay the expenses incurred by the CLOs or CLO SPVs, the ability of the CLOs or CLO SPVs to operate effectively may be impaired, and the CLOs or CLO SPVs may not be able to defend or prosecute legal proceedings that may be brought against them or that they might otherwise bring to protect the interests of the CLOs or CLO SPVs. In addition, service providers who are not paid in full have the right to resign. This could lead to the CLOs organized in the Cayman Islands being struck from the register of companies and dissolved.

***Financial Markets and Regulatory Change.*** The laws and regulations affecting businesses in general continue to evolve in an unpredictable manner. Laws and regulations, particularly those involving taxation, investment and trade, applicable to the Firm's clients' activities can change quickly and unpredictably, and may at any time be amended, modified, repealed, or replaced in a manner adverse to the interests of the Firm's clients. The Firm, its affiliates and/or the Firm's clients may be, or may become, subject to unduly burdensome and restrictive regulation. In particular, in response to significant recent events in international financial markets, governmental intervention and certain regulatory measures have been or may be adopted in certain jurisdictions. The extent to which the underlying causes of these recent events are pervasive throughout global financial markets and have the potential to cause further instability is not yet clear. These recent events, and their underlying causes, are likely to continue to be the catalyst for changes in global financial regulation for some time, and may result in major and unavoidable losses to the Firm's clients. Legal, tax and regulatory changes could adversely affect the Firm's clients and investors. The regulatory environment for private funds and similarly situated investment vehicles and accounts is evolving, and changes in such regulation may adversely affect the value of investments held by the Firm's clients. In addition, securities markets are subject to comprehensive statutes and regulations. The SEC, as well as other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future regulatory change on the Firm's clients and investors could be substantial and adverse.

***The SEC's Position on Certain Non-Traditional Investments, Including Investments in CLOs, is Under Review.*** The staff of the SEC has undertaken a broad review of the potential risks associated with different asset management activities, focusing on, among other things, liquidity risk and risk from leverage. The staff of the Division of Investment Management has, in correspondence with registered investment management companies, raised questions about the level and special risks of investments in CLOs. While it is not possible to predict what conclusions the staff will reach in these areas, or what recommendations the staff might make to the SEC, the imposition of limitations on investments by registered management investment companies in CLOs could adversely impact the Firm's ability to implement its investment strategy, or cause the Firm to take certain actions with potential negative impacts on its financial condition and results of operations. The Firm is unable at this time to assess the likelihood or timing of any regulatory development.

***Political, Economic and Other Conditions.*** The Firm's clients' investments may be adversely affected by changes in economic conditions or political events that are beyond the Firm's control. For example, a stock market break, continued threats of terrorism, the outbreak of hostilities involving the United States or any other jurisdiction in which the Firm's clients invest, the death of a major political figure, or the overthrow or replacement of a current ruling body may have significant adverse effects on the Firm's clients'

investment results. Additionally, a serious pandemic, such as avian influenza, or a natural disaster, such as a hurricane, could severely disrupt the global, national, and/or regional economies and/or markets. Other factors, such as changes in U.S. or non-U.S. tax laws, U.S. or non-U.S. securities laws, bank regulatory policies, or accounting standards, may make corporate financings less desirable. Similarly, legislative acts, rulemaking, adjudicatory, or other activities of the United States Congress, the SEC, the Federal Reserve Board, the New York Stock Exchange, the Financial Industry Regulatory Authority or other U.S. or non-U.S. governmental or quasi-governmental bodies, agencies, and regulatory organizations may make the business of the Firm's clients less attractive. A negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, and cause credit spreads to widen, each of which could have an adverse effect on the investment performance.

***Natural Disasters; Epidemics and Pandemics.*** A natural disaster, such as an earthquake, a hurricane, a tsunami or widespread fires, or an outbreak of epidemic, pandemic, or contagious diseases, such as the recent Coronavirus Disease 2019 (COVID-19) pandemic which emerged in China and has spread to the United States and many other countries throughout the world, and past outbreaks such as the Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, or the H1N1 virus, could severely disrupt the global, national, and/or regional economies and/or markets. In particular, the COVID-19 pandemic will likely have a materially adverse impact on the global economy in general, the extent and duration of which are unknown at this time. These impacts, in turn, will likely have a material adverse impact on the ability of the Firm to identify securities issued by CLOs in which to cause clients to invest and the ability of collateral managers of CLOs to acquire and sell collateral obligations. It is impossible at this time to determine the scope of the impact of COVID-19, including whether prevailing and/or future market conditions will enable the Firm to make investments similar to those it has made in the past. The extent to which the COVID-19 pandemic impacts clients' investments will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, including extended business closures or relocations, changes in staffing or work locations, social distancing measures, restrictions on travel and others.

***Changes in, or Cessation of, LIBOR.*** Over the past several years, the London Inter-bank Offered Rate ("**LIBOR**") has experienced historically high volatility and significant fluctuations. Regulators and law enforcement agencies from a number of governments, including entities in the United States and the United Kingdom, have been conducting civil and criminal investigations into whether the member banks that contribute to the British Bankers' Association (the "**BBA**") in connection with the calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR for their own benefit. There have also been allegations that member banks may have manipulated other inter-bank lending rates. If LIBOR or another inter-bank lending rate is manipulated, it may result in that rate being artificially lower (or higher) than it would otherwise have been, and, to the extent an investment is made or acquired that bears interest on such rates, it may not appropriately embed a return that is commensurate with its risk exposure.

As a result of recent developments, there can be no assurance that LIBOR will not be discontinued over the next several years. In particular, the U.K. Financial Conduct Authority (the "**FCA**") has recently announced it would commence work to plan for a transition from LIBOR to alternate benchmarks by the end of 2021. In addition, there have been statements by the U.S. Federal Reserve that LIBOR is no longer fit to serve as the market's main benchmark; toward that end, a committee comprised of large banks that were brought together by the Federal Reserve Bank of New York and the Fed Board of Governors recently proposed that U.S.-dollar LIBOR be replaced by a new benchmark based on short-term loans known as repurchase agreements or "repo" trades, backed by U.S. Treasury securities. Notwithstanding the foregoing, there can be no assurance that any replacement to LIBOR will gain wide market acceptance, nor whether multiple

substitute benchmarks will develop that (taken as a whole) have sufficiently robust trading volumes. There can also be no assurance that any such replacement(s) or substitute(s) will necessarily be an improvement over LIBOR in its current (or modified) form. Any reduction or elimination of LIBOR as a global benchmark going forward could adversely affect the value and liquidity of the Firm's clients' investments and/or could cause an absence of available investments until an alternative benchmark becomes generally accepted in the marketplace. In addition, an increase in alternative types of financing at the expense of LIBOR-based corporate loans may have a material adverse effect on the market value of the Firm's clients' investments, which, in turn, could have a material adverse effect on the Firm's ability to achieve its clients' investment objectives.

Although the foregoing developments may lead to the eventual discontinuation of LIBOR, it is nevertheless possible that the current administrator of LIBOR (who took over from the BBA), ICE Benchmark Administration Limited ("**ICE Subsidiary**"), a U.K. company based in London and a subsidiary of Intercontinental Exchange Inc. (NYSE: ICE), could choose to keep LIBOR running after 2021 (though the FCA has stated it would no longer compel banks to submit data for the benchmark at that time). It is also possible that, as a result of such developments, fewer banks will actively participate in the LIBOR submission process, which could result in erratic swings in LIBOR. Even if LIBOR continues to be available, it is not possible to predict whether any reforms to LIBOR will be enacted in the United Kingdom, the United States or elsewhere (or the effects thereof) or whether there will be any changes in the methods pursuant to which the LIBOR rates are determined. Any changes or reforms to LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR rates, which could have an adverse impact on the value of the Fund's investments and any payments linked to LIBOR thereunder. There can be no assurance that ICE Subsidiary itself would not be replaced in the future. Any new administrator of LIBOR may make methodological changes that could change the level of LIBOR (or alter, discontinue or suspend its calculation or dissemination) that, in turn, may adversely affect the value of the Firm's clients' investments. No administrator of LIBOR will have any obligation to any investor in respect of any floating rate investment. The administrator of LIBOR may take any actions in respect of LIBOR without regard to the interests of any of the Firm's clients, and any of these actions could have a material adverse effect on the Firm's clients.

**Potential Impact of Brexit.** The United Kingdom ceased to be a member of the European Union ("**EU**") on January 31, 2020 ("**Brexit**"). There is uncertainty as to the scope, nature and terms of the relationship between the United Kingdom and the EU after Brexit. Brexit could adversely affect economic and market conditions in the United Kingdom, in the EU and its member states and elsewhere, and could introduce potentially significant uncertainty and instability in global financial markets.

The results of these events may significantly impact the volatility, liquidity and/or market value of securities and other financial instruments, including the CLO Interests. These uncertainties could also have a material adverse effect on the business, financial condition, results of operations and prospects of the obligors or underlying obligors of investments held by a Fund, and therefore their ability to make the payments due under the collateral obligations, which would affect the CLO issuers' ability to make payments on the CLO Interests. In addition, it is unclear at this stage what the consequences of the United Kingdom's withdrawal from the EU will ultimately be for CLOs, the CLO Managers or any other transaction party both during the period prior to the United Kingdom's exit from the EU and following such departure.

It is possible that other members of the EU will elect to leave the EU or that countries that have adopted the euro could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The effects of a country's abandonment of the euro or a country's departure from the EU are impossible to predict, but are likely to be negative and would likely have a destabilizing effect on all Eurozone countries and their economies and a negative effect on the global



economy as a whole. The effect of such potential events on the obligors, the collateral obligations, the CLO issuers or the CLO Equity and/or debt instruments is impossible to predict but could have a material adverse effect on the CLO issuers' ability to make payments on the CLO Equity and/or debt instruments. In light of the above, no definitive assessment can currently be made regarding the impact that Brexit will have on the Fund, its investments or its organization more generally.

***Competition; Availability of Investments.*** The Firm may be unable to find a sufficient number of attractive opportunities to meet the Firm's clients' investment objectives or fully invest their assets and/or committed capital. Among other factors, competition for suitable investments from investment funds and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of private funds and managed accounts organized to make investments similar or identical to the Firm's clients' investments, which may result in increased competition to our clients in obtaining suitable investments. There can be no assurance that the Firm will be able to identify or successfully pursue attractive investment opportunities in such an environment.

***Combination or "Layering" of Multiple Risks May Significantly Increase Risk of Loss.*** Although the various risks discussed in this brochure are generally described separately, the potential effects of the interplay of multiple risk factors should be considered. Where more than one significant risk factor is present, the risk of loss to a Firm client or CLO investor may be significantly increased.

### **C. Material Risks of Securities Used in Investment Strategies**

The following summary identifies the material risks related to certain types of investments expected to be made for the Firm's clients, but does not intend to identify all possible investments that may be made or all possible risks related to such investments. Further details regarding these risks and other applicable other risk factors will be included in the offering documents of the CLOs and CLO SPVs for which the Firm performs investment advisory and/or management services or in the advisory agreement or other documentation furnished to other clients. Clients and investors in the CLOs and/or CLO SPVs are advised to carefully review all risk factors described in such documents. The following is not intended to supersede the material contained in such documents.

#### **General Investment Risks**

***The Firm May Not be Able to Acquire Assets that Satisfy Clients' Investment Criteria.*** The ability of the Firm to identify and acquire a portfolio of assets that satisfies a client's applicable investment criteria at the projected prices, ratings, rates of interest and any other applicable characteristics will be subject to market conditions and availability of such investments. There is no assurance that the Firm will be able to acquire assets that satisfy the applicable investment criteria.

***There is a Highly Competitive Market for Investment Opportunities, Which Could Reduce Returns and Result in Losses.*** A number of entities compete with the Firm's clients to make the types of investments that such clients seek to make. The Firm's clients will compete with public and private funds, commercial and investment banks, commercial financing companies, business development companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of these competitors are substantially larger and have considerably greater financial, technical and marketing resources than the Firm or its clients. For example, some competitors may have access to funding sources that are not available to the Firm. In addition, some competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. As a result of this competition, the Firm may not be able, from time to time, to take advantage

of attractive investment opportunities on behalf of its clients, and the Firm may not be able to identify and make investments that are consistent with applicable investment criteria.

***Reinvestment Risk.*** Reduced liquidity and relatively lower volumes of issuance and trading in certain assets in which the Firm's clients are invested, in addition to restrictions on investments applicable to certain clients, could result in periods of time during which such clients are not able to fully invest available cash or during which the assets available for investment will not be of comparable quality. The longer the period such cash is not fully invested, the greater the likely adverse impact on the client.

The level of earnings on reinvestments will depend on the availability and purchase price of investments determined by the Firm to be appropriate investments by the Firm's clients and the interest rates thereon. The need to satisfy applicable investment criteria and identify acceptable investments may require the purchase of investment instruments having lower yields than those investment instruments previously acquired on behalf of a client as investments mature, prepay or are sold or require temporary investment in cash and cash equivalents. In addition, obligors on debt instruments may be more likely to exercise any rights they may have to redeem or refinance such obligations when interest rates or spreads are declining.

***Certain Third Parties May Take Positions Adverse to a Client.*** The Firm may, from time to time, consult with, receive input from, and provide information to, third parties in respect of obligations being considered for acquisition by one or more of the Firm's clients. Some of those same third parties may have interests adverse to the Firm's clients and may take a short position (for example, by buying protection under a credit default swap) relating to any such obligations or other financial instruments.

***Negative Impact on CLO Investment Portfolio May Affect the Ability of the CLOs to Make Payments.*** A negative impact on the investment portfolio of a CLO may impair the CLO's ability to pay in full, redeem or make distributions (including the timing and/or amount) in respect of the securities offered by the CLO (the "***Offered Securities***"). Accordingly, the risks described in this brochure may apply not only to the CLOs' portfolios, but by extension, the Offered Securities as well including, but not limited to, adversely impacting the return on and/or liquidity of the Offered Securities.

### **Credit Investment Risks**

***General Economic Conditions May Change or Deteriorate.*** Negative trends or volatility in economic conditions generally or in particular financial and credit markets are likely to increase the number of non-performing debt investments acquired by the Firm's clients and decrease the value and collectability of such debt investments. It is difficult to predict which markets, products, businesses and assets will be affected by particular economic or business conditions (or to what degree the health of particular markets or industries are dependent on monetary policies of central banks, particularly the Federal Reserve). There is no assurance that conditions in the credit and other financial markets will remain stable and will not deteriorate at any time, and there is a material possibility that economic activity will be volatile or will slow over the moderate to long-term. A decrease in market value of the assets in a client's portfolio would also adversely affect the proceeds that could be obtained upon the sale of such assets.

Negative economic trends would also increase the likelihood that major financial institutions or other entities having a significant impact on the financial and credit markets may suffer a bankruptcy or insolvency, as occurred during the recession in the U.S. economy several years ago. The bankruptcy or insolvency of any such entity may have an adverse effect on the Firm's clients and may trigger future crises in the global credit markets and overall economy, which could have a significant adverse effect on the Firm's clients.

Several nations, particularly within the European Union (the “EU”), have recently suffered or are currently suffering from significant economic distress. There can be no assurance as to the resolution of the economic problems in those countries, nor as to whether such problems will spread to other countries or otherwise negatively affect economies or markets. A debt default by a sovereign nation or other potential consequences of these economic problems may trigger additional crises in the global credit markets and overall economy which could have a significant adverse effect on the Firm’s clients. In addition, issuers of securities or other investment instruments in which one or more of the Firm’s clients are invested may be organized in, or otherwise domiciled in, or have a substantial percentage of their revenues or assets in, certain of such countries currently suffering from economic distress, or other countries that may begin to suffer economic distress, and the uncertainty and market instability in any such country may increase the likelihood of default by such issuers. In the event of its insolvency, any such issuer, by virtue of being organized in such a jurisdiction or having a substantial percentage of its revenues or assets in such a jurisdiction, may be more likely to be subject to bankruptcy or insolvency proceedings in such jurisdiction at the same time as such jurisdiction is itself potentially unstable. In addition, it is possible that countries that have adopted the euro could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The effects on a country of abandonment of the euro or a country’s forced expulsion from the EU are impossible to predict, but are likely to be negative. The exit of any country out of the EU or the abandonment by any country of the euro would likely have a destabilizing effect on all Eurozone countries and their economies and a negative effect on the global economy as a whole.

***Performance of Debt Investments May Deteriorate; Debt Instruments Are Subject to Credit and Interest Rate Risks.*** Private debt investments involve a high degree of financial risk. There can be no assurance that investments will be profitable or that substantial losses will not occur. The borrowers whose loans are included within a CLO or Warehouse Facility are often dependent on the skills of a small number of executives and are vulnerable to changes in technology, fluctuations in demand for their products, changing interest rates and other factors. Negative economic trends nationally as well as in specific geographic areas of the United States could result in an increase in loan defaults and delinquencies. Though levels of defaults and delinquencies are currently below peak levels, there is a material possibility that economic activity will be volatile or will slow, and client investments would likely be significantly and negatively affected by such conditions. Such effects may include an inability for an issuer of a debt instrument to obtain refinancing of their debt obligations. A decreased ability of borrowers to obtain refinancing (particularly if high levels of required refinancings approach) may result in an economic decline or otherwise increase market volatility and cause a deterioration in loan performance generally and defaults of debt investments. There is no way to determine whether or when such trends will remain stable, improve or worsen in the future.

Debt instruments are subject to credit and interest rate risks. Credit risk refers to the likelihood that an obligor will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities and other debt instruments which are rated by rating agencies are often reviewed and may be subject to downgrade. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument directly (especially in the case of fixed rate securities) or indirectly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in

instruments with uncertain payment or prepayment schedules. Factors that may affect market interest rates include, without limitation, inflation, slow or stagnant economic growth or recession, unemployment, money supply, governmental monetary policies, international disorder and instability in domestic and foreign financial markets. In a changing interest rate environment, the Firm may not be able to manage this risk effectively. If the Firm is unable to manage interest rate risk effectively, investment performance could be adversely affected. While the Firm may seek to do so, it may not hedge interest rate risk for a particular client.

***Risk of Illiquidity in the Securitization, Leveraged Finance and Fixed Income Markets.*** In recent years, the securitization (including collateralized loan obligation), leveraged finance and fixed income markets have at times been subject to 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. Historically, the trading volume in loan markets has been small relative to high yield debt security markets. No assurance can be made that the conditions giving rise to such price fluctuations and limited liquidity will not continue or become more acute. During periods of limited liquidity and higher price volatility, the Firm's ability to acquire or dispose of securities or other investment instruments on behalf of its clients at a price and time that the Firm deems advantageous may be severely impaired. As a result, in periods of rising market prices, the Firm may be unable to cause its clients to participate in price increases fully to the extent that they are unable to acquire desired positions quickly; and the Firm's inability to dispose fully and promptly of positions in declining markets will cause its client accounts' net asset value to decline and may exacerbate losses suffered by them when such investments are sold. Furthermore, significant additional liquidity-related risks exist including, among others, (i) the possibility that the prices at which client account investments can be sold will deteriorate from their effective purchase price, (ii) the possibility that opportunities for the Firm to sell client account assets in the secondary market may be impaired or restricted by such clients' governing documents, and (iii) increased illiquidity of the Offered Securities because of reduced secondary trading in collateralized loan obligation securities. These additional risks may affect the returns on the Offered Securities to investors or otherwise adversely affect holders of the Offered Securities.

Regardless of current or future market conditions, certain assets purchased on behalf of the Firm's client accounts will have only a limited trading market (or none). Investment in illiquid debt obligations may restrict the Firm's ability to dispose of investments in a timely fashion and for a fair price, as well as the 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 Firm to purchase recent issuances of debt instruments on behalf of its client accounts. More particularly, the ability of private equity sponsors and leveraged loan arrangers to effectuate new leveraged buy outs and the ability of the Firm to purchase such assets on behalf of its client accounts 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 Firm in relation to its client account portfolios and, in the case of CLOs, the returns on the Offered Securities to investors.

***Actions of Any Rating Agency Can Adversely Affect the Market Value or Liquidity of the Offered Securities.*** The Firm utilizes ratings assigned by rating agencies to certain borrowers of debt instruments. Such ratings will primarily be publicly available ratings. There can be no assurance that rating agencies will continue to assign such ratings utilizing the same methods and standards utilized today despite the fact that a particular debt instrument might still be performing fully. In the case of the CLOs, any change in such methods and standards could result in a significant rise in the number of lower rated debt instruments

in the pool of assets held by the CLOs, which could cause the CLOs to fail to satisfy collateralization requirements, which failure could lead to the early amortization of some or all of one or more classes of the Offered Securities.

***Below Investment-Grade Investments Involve Particular Risks.*** Certain of the Firm's clients invest primarily in non-investment grade loans or interests in non-investment grade loans, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. It is anticipated that such investments will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that a client's portfolio is concentrated in one or more particular types of non-investment grade debt instruments.

While a limited amount of concentration with respect to particular obligors, regions or industries is likely for some or all client accounts, redemptions of debt investments, together with dispositions and reinvestments, may result in a greater concentration in any one obligor, region or industry, and such concentration could subject a client's portfolio to a greater degree of risk with respect to collateral defaults by such obligor, and such concentration in any one industry or region could subject a client's portfolio to a greater degree of risk with respect to economic downturns relating to such industry or region. To the extent that below investment grade debt obligations as an asset class generally underperform or experience increased levels of credit losses or market volatility, a client portfolio with exposure to non-investment grade loans will likely experience credit and trading losses even without significant obligor and industry concentration.

Prices of assets held within a client's portfolio 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 such assets. The current uncertainty affecting the United States economy and the economies of other countries in which issuers of client account assets are domiciled and the possibility of increased volatility in financial markets could adversely affect the value and performance of client account portfolios. 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 debt securities market.

Obligor of below investment-grade debt instruments 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 debt obligations due to the obligors' inability to meet specific projected business forecasts or the unavailability of financing. All risks associated with investments in such debt instruments will be borne by the holders of such debt instruments (and indirectly by the holders of the Offered Securities, in the case of investments by the CLOs in such debt instruments).

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 with respect to the assets in a client's portfolio.

A non-investment grade loan or other debt obligation or an interest in a non-investment grade loan or other debt obligation is generally considered speculative in nature and may go into default (becoming a ***“Defaulted Obligation”***) for a variety of reasons. Upon a client’s debt investment 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.

Certain of the Firm’s clients may invest in securities and assets of companies that are experiencing significant financial or business difficulties, including companies involved in reorganization or restructuring. Although such investments may result in significant returns, they involve a substantial degree of risk. Any one or all of the issuers of the investment instruments in which a Firm client may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high.

***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. 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 client asset is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such asset. Rating agencies attempt to evaluate the relative future creditworthiness of an obligation and do not address other risks, including but not limited to, 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 asset (as is also the case in respect of the Offered Securities that are rated) should be used only as a preliminary indicator of investment quality and should not be considered a completely reliable indicator of 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. It is possible that many credit ratings of assets included in or similar to the assets comprising a client account’s portfolio will be subject to significant or severe adjustments downward.

***Lender Liability Considerations and Equitable Subordination Can Affect the Rights with Respect to Debt Investments.*** A number of judicial decisions have upheld judgments for borrowers against lending institutions on the basis of various evolving legal theories, collectively termed ***“lender liability.”*** Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of the assets comprising certain of the Firm’s client account portfolios, such clients may be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of

such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “*equitable subordination*.” Because of the nature of the assets comprising certain of the Firm’s client account portfolios, the Firm’s clients may be subject to claims of equitable subordination.

Because affiliates of the Firm may hold equity or other interests in obligors of debt instruments in which one or more of its clients are invested, such clients could be exposed to claims for equitable subordination or lender liability or both based on such equity or other holdings.

The preceding discussion is based upon principles of United States federal and state laws. Insofar as debt instruments that are obligations of non-United States obligors are concerned, the laws of certain foreign jurisdictions may impose liability upon lenders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under United States federal and state laws.

The Firm’s clients’ investment activities also subject them to the normal risks of becoming involved in litigation by third parties. This risk would be somewhat greater if the Firm or any affiliate of the Firm were to exercise control or significant influence over a company’s direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would be borne by the client and would likely subject the client to indemnification obligations with respect to the Firm.

***Participation on Creditors’ Committees.*** The Firm, on behalf of one or more clients, may participate on committees formed by creditors to negotiate the management of financially troubled issuers of debt instruments that may or may not be in bankruptcy may seek to negotiate directly with such obligors with respect to restructuring issues. If the Firm joins a creditors’ committee, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the Firm’s client(s) in such proceedings. By virtue of the Firm’s participating on such committees, a client may be deemed to have duties to other creditors represented by the committees, which might expose such participating client account to liability to such other creditors who disagree with the participating client’s actions.

***Loan Prepayments May Affect the Ability to Invest and Reinvest Available Funds.*** Loans are generally prepayable in whole or in part at any time at the option of the borrower at par plus accrued unpaid interest. Prepayments on loans may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. In addition, proceeds received upon such a prepayment are subject to reinvestment risk. Any inability of the Firm to reinvest payments or other proceeds in assets with comparable interest rates that satisfy the applicable investment criteria of a client may adversely affect such client and/or the holders of the Offered Securities. There is no assurance that the Firm will be able to reinvest proceeds in assets with comparable interest rates at favorable purchase prices that satisfy the applicable investment criteria or as to the length of any delays before such investments are made.

In addition, when borrowers prepay principal, up to a full period’s interest for the period in which such prepayment occurs will not be paid, potentially resulting in interest shortfalls. Any such shortfalls may adversely affect clients and/or the holders of the Offered Securities. In addition, investments in certain debt instruments may include excess cash flow capture and other mandatory prepayment provisions which may accelerate the amortization of such investments. Prepayments, accelerated amortization due to structural features of the debt instrument, the inability of borrowers to refinance such debt instruments and defaults on debt instruments, as well as the liquidation of the collateral securing debt instruments, may cause the CLOs to pay principal on the Offered Securities sooner than a holder thereof expected. Similarly, upon the

occurrence of a default, holders of the Offered Securities may also receive principal on them sooner than they expected. Holders of the Offered Securities may not be able to reinvest those distributions of principal at yields equivalent to the yield on the Offered Securities; therefore, the ultimate return a holder receives on its investment in the Offered Securities may be less than the return it expected on the Offered Securities at the time of initial investment.

The rate of prepayments, amortization and defaults may be influenced by various factors including:

- Changes in borrower performance and requirements for capital;
- The level of interest rates;
- Lack of credit being extended and/or the tightening of credit underwriting standards in the commercial lending industry; and
- The overall economic environment, including any fluctuations in the recovery from the current economic conditions.

The Firm cannot predict the actual rate of prepayments, accelerated amortization or defaults which may be experienced with respect to debt instruments. As a result, in the case of CLOs, the Offered Securities may not be a suitable investment for any investor that requires a regular or predictable schedule of principal payments.

***Investing in Loans Involves Particular Risks.*** The Firm's clients 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 Firm is required by a client to sell or otherwise dispose of such loan. Depending on the terms of the underlying loan documentation, 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.

There may be less readily available and reliable information about most leveraged loans than is the case for many other types of investment instruments, including securities issued in transactions registered under the Securities Act or registered under the Commodity Exchange Act, as amended. As a result, the Firm will rely primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. Therefore, the Firm's clients will be particularly dependent on the analytical abilities of the Firm with respect to investments in leveraged loans.

Participations by a Firm client 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, a client 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, a Firm client 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 such client may not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, such client 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. In the event of the insolvency of the selling institution, the client, 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, a client 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 a Firm client 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 participating client and may fail to consider the interests of such client 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 Firm may be 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 a client account 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, a Firm client 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.

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, a participating client 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.

***Unfunded Loans.*** The Firm's clients may invest in loan commitments that are unfunded at the time of investment. A loan commitment is a written agreement in which the lender commits itself to make a loan or loans up to a specified amount within a specified time period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded." A lender typically is obligated to advance the unfunded amount of a loan commitment at the borrower's request, subject to certain conditions regarding the creditworthiness of the borrower. Borrowers with deteriorating creditworthiness may continue to satisfy their contractual conditions and therefore be eligible to borrow at times when the lender might prefer not to lend. In addition, a lender may have assumptions as to when a company in which a client invests may draw on an unfunded loan commitment when the lender enters into the commitment. If the borrower does not draw as expected, the commitment may not prove as attractive an investment as originally anticipated. Further, any failure to advance requested funds to a company in which the client invests could result in possible assertions of offsets against amounts previously lent.

***Investing in Cov-Lite Loans Involves Certain Risks.*** A substantial portion of assets held in certain of the Firm's client accounts may consist of so-called "***Cov-Lite Loans***." Cov-Lite Loans typically do not have certain financial and other covenants. Ownership of Cov-Lite Loans may expose such clients to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans that have such covenants.

***Investing in Unsecured Loans Involves Certain Risks.*** Unsecured loans are unsecured obligations of the applicable borrower, may be subordinated to other obligations of the borrower 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 the issuer of any unsecured obligation, the holders of such unsecured obligation will be considered general, unsecured creditors of the issuer, will have fewer rights than secured creditors of the issuer and will be subordinate to the secured creditors with respect to the related collateral.

***Investing in Second Lien Loans Involves Certain Risks.*** The assets held in certain of the Firm's client accounts 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 borrowers 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 of the borrower 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 interest. 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 borrower, the holder of a Second Lien Loan may not 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 a Lien on a Borrower's Underlying Collateral and Impair Recovery in the Event of a Default or Foreclosure.*** Federal or state law may grant liens on the collateral (if any) securing a loan that has priority over a lender's interest. An example of a lien arising under federal or state law is a tax or other government lien on property of a borrower. A tax lien may have priority over a client's lien on such collateral. To the extent a lien having priority over a client account's lien exists, such client account'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 client account's investment.

***Insolvency Considerations May Affect a Client's Rights.*** Various laws enacted for the protection of creditors may apply to debt instruments in which clients are invested. The information in this and the

following paragraph is applicable with respect to U.S. issuers. Insolvency considerations will differ with respect to non-U.S. issuers. In particular, it should be noted that a number of European jurisdictions operate unpredictable insolvency regimes which may cause delays to the recovery of amounts owed by insolvent obligors or underlying obligors subject to those regimes. The different insolvency regimes applicable in the different European jurisdictions result in a corresponding variability of recovery rates for leveraged loans, entered into or issued in such jurisdictions, any of which may have a material adverse effect on the performance of a client's business, financial condition, results of operations and/or fair value and/or the return on investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a debt instrument, such as a trustee in bankruptcy, were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness represented by such debt instrument and, after giving effect to such indebtedness, the issuer (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such issuer constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the issuer or to recover amounts previously paid by the issuer in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts were then greater than all of its property at a fair valuation or if the present fair salable value of its assets were then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the issuer was "insolvent" after giving effect to the incurrence of the indebtedness constituting the debt instrument or that, regardless of the method of valuation, a court would not determine that the issuer was "insolvent" upon giving effect to such incurrence. In addition, in the event of the insolvency of an issuer of a debt instrument, payments made on such debt instrument could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year under federal bankruptcy law or even longer under state laws) before insolvency.

In general, if payments on debt instruments are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured, either from the initial recipient (such as a client, including a CLO) or from subsequent transferees of such payments (such as the holders of the Offered Securities). To the extent that any such payments are recaptured from the CLOs, the resulting loss will be borne by the holders of the Offered Securities. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a holder of Offered Securities only to the extent that such court has jurisdiction over such holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a holder that has given value in exchange for its Offered Security, in good faith and without knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to a structured transaction such as the Offered Securities, there can be no assurance that a holder of Offered Securities will be able to avoid recapture on this or any other basis.

***Bankruptcy of One or More Obligors Could Reduce or Eliminate a Client's Investment.*** There is a significant risk that one or more of the issuers of debt instruments held by a client may enter bankruptcy proceedings. Such proceedings may result in, among other things, a substantial reduction in the interest rate and a substantial write down of the principal of the related debt instruments. There are a number of significant risks inherent in the bankruptcy process. First, rulings in a bankruptcy case are the product of adversary proceedings determined by a court with equitable powers, and are beyond the control of specific creditors. Second, a bankruptcy filing may adversely and permanently affect the debtor making such filing. The debtor may lose its market position, key employees, relationships with important suppliers, access to the capital markets or other sources of liquidity and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason, a Chapter 11 reorganization is converted to or becomes a liquidation, the liquidation value of the debtor may not equal the liquidation value that was believed to exist

at the time of purchase of the debt instrument issued by such debtor. Third, the duration of a bankruptcy case is difficult to predict. A creditor's return on investment can be adversely affected by delays while a plan of reorganization is being negotiated, approved by parties in interest and confirmed by the bankruptcy court until it ultimately becomes effective. For example, in general, unsecured creditors' claims for interest accrued between the bankruptcy filing and a reorganization plan's consummation are not allowed. Fourth, the administrative costs of the debtor and official committees in connection with the bankruptcy case are frequently high and will be paid out of the debtor's estate prior to any return to general unsecured creditors. If the bankruptcy case involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to such administrative costs; a creditor's costs in monitoring and enforcing its investment also may substantially increase. U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the influence of a Firm client with respect to a class of claims can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. Certain claims that have priority by law (for example, claims for taxes) also may be significant. Finally, under certain circumstances, creditors' claims against bankrupt or insolvent entities may be subject to equitable subordination or recharacterization as equity (particularly where the creditor is an insider or otherwise controls the debtor), and transfers made to creditors may be subject to avoidance and disgorgement as preferences or fraudulent conveyances.

***International Investing.*** Certain of the Firm's clients may purchase debt instruments issued by borrowers located in non-U.S. jurisdictions. Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly available information, (ii) varying levels of governmental regulation and supervision, and (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, foreign companies are generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies.

Non-U.S. markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets in a client's account are uninvested and no return is earned thereon. The inability of the Firm to cause clients to make intended purchases due to settlement problems or the risk of intermediary counterparty failures could cause such clients to miss investment opportunities. The inability to dispose of a debt instrument due to settlement problems could result either in losses to a client due to subsequent declines in the value of such debt instrument or, if a client has entered into a contract to sell the loan or security, could result in possible liability to the purchaser. Transaction costs of buying and selling foreign loans and securities, including brokerage, tax and custody costs, also are generally higher than those involved in domestic transactions. Furthermore, non-U.S. financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and loans and securities of many foreign companies are less liquid and their prices more volatile than loans and securities of comparable domestic companies.

The economies of individual non-U.S. countries also may differ favorably or unfavorably from the U.S. economy in such respects as growth of the gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

Portfolios of the Firm's clients that include obligations of non-U.S. issuers may be subject to various laws enacted in their home countries for the protection of debtors or creditors, which could adversely affect such clients' ability to recover amounts owed. These insolvency considerations will differ depending on the

country in which each issuer is located and may differ depending on whether the issuer is a non-sovereign or a sovereign entity.

***Interest Rate Fluctuations.*** The prices of the investments that may be held by the Firm's clients tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of a position to move in directions which were not initially anticipated. It is anticipated that most of the debt instruments in which clients invest will bear interest at floating interest rates. To the extent interest rates increase, periodic interest obligations owed by the related borrower will also increase. As prevailing interest rates increase, some borrowers may not be able to make the increased interest payments on underlying debt instruments or refinance their balloon and bullet debt instruments, resulting in payment defaults and Defaulted Obligations. Conversely if interest rates decline, borrowers may refinance their debts at lower interest rates which could, with respect to CLOs, shorten the average life of the Offered Securities. In addition, interest rate increases generally will increase the interest carrying costs of borrowed securities and leveraged investments. Further, the Firm's clients may invest in both floating and fixed rate securities and interest rate movements will affect those respective securities differently. In particular, when interest rates rise significantly, the value of fixed interest rate securities often fall. While the Firm may seek to do so, it may not hedge interest rate risk for a particular client. Any of the above factors could materially and adversely affect the performance of the Firm's clients' business, financial condition, results of operations and/or fair value and/or the return on investments.

***Balloon Loans and Bullet Loans Present Refinancing Risk.*** It is anticipated that most of the debt instruments in which clients invest will consist of either balloon loans or bullet loans. Balloon and bullet loans involve a greater degree of risk than other types of transactions because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the loan, requiring the borrower to make a large final payment upon the maturity of the underlying debt instrument. The ability of such borrower to make this final payment upon the maturity of the debt instrument typically depends upon the borrower's ability either to refinance the debt instrument prior to maturity or to generate sufficient cash flow to repay the debt instrument at maturity. The ability of any borrower to accomplish any of these goals will be affected by many factors, including the availability of financing at acceptable rates to such borrower, the financial condition of such borrower, the marketability of the collateral (if any) securing such debt instrument, the operating history of the related business, tax laws and the prevailing general economic conditions. Consequently, such borrower may not have the ability to repay the underlying debt obligation at maturity, and client accounts that own such debt obligation could lose all or most of the principal of the investment. Given their relative size and limited resources and access to capital, some borrowers may have difficulty in repaying or refinancing their balloon and bullet debt obligations on a timely basis or at all.

## **Item 9. Disciplinary Information**

Neither the Firm nor any of its managers, officers or principals has been involved in any criminal or civil action in a domestic, foreign or military court that is material to a client's or prospective client's evaluation of the Firm's advisory business or the integrity of the Firm's management.

Neither the Firm nor any of its managers, officers or principals has been involved in any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither the Firm nor any of its managers, officers or principals has been involved in any self-regulatory organization proceedings.

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

### **A. Broker-Dealer Registrations**

Neither the Firm nor any of its managers, officers or principals is registered, or has an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

### **B. CFTC Registrations**

Neither the Firm nor any of its managers, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator or commodity trading advisor, or is an associated person of any of the above.

### **C. Affiliates**

The Firm is affiliated with the following advisers, broker-dealers and insurance companies, although the Firm does not believe at this time that its affiliation with any of them creates a material conflict of interest with respect to the Firm's clients:

- 1851 Securities Inc.
- Concord Re, Inc.
- GGCOF Co-Invest Management, L.P.
- GGC Opportunity Fund Management, L.P.
- Golden Gate Private Equity Inc.
- Lynbrook Re, Inc.
- Magni Re Ltd.
- Nassau Alternative Investments LLC
- Nassau Life and Annuity Company
- Nassau Life Insurance Company
- Nassau Life Insurance Company of Kansas
- Nassau Life Insurance Company of Texas
- Nassau Private Credit LLC
- Nassau Private Credit GP LLC
- Nassau Re (Cayman) Ltd.
- Nassau Re (Cayman Brac) Ltd.
- PHL Variable Insurance Company
- Saybrus Equity Services, LLC
- Sunrise Re, Inc.

The Firm has entered into a shared services agreement (the “**Shared Services Agreement**”) with certain of its affiliates (the “**Shared Services Providers**”) pursuant to which the Shared Service Providers and their agents perform certain back-office, credit analysis and reporting functions among other functions that are delegated to them by the Firm. In performing its services, the Firm depends, in large part, upon the skill and expertise of certain personnel of the Shared Service Providers that are made available to the Firm pursuant to the Shared Services Agreement who are responsible for the day-to-day operations and management of the Firm and who provide services to other affiliates of the Firm as well as to the Firm.

### **D. Other Investment Advisers**

The Firm does not recommend or select other investment advisers for its clients, nor does the Firm have other business relationships with advisers that create material conflicts of interest.

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

### **A. Code of Ethics**

The Firm has adopted a Code of Ethics, which is designed to comply with SEC requirements. The purpose of the Code of Ethics is to identify the ethical and legal framework in which the Firm and its personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding the Firm's standard of business conduct. The Firm's Code of Ethics is designed to ensure that all applicable personnel are aware of and adhere to the Firm's policies and procedures. The description below is a summary only. The Firm will provide a complete copy of its Code of Ethics to clients and prospective clients.

***Standard of Business Conduct.*** The Firm and its personnel have a fiduciary duty to the Firm's clients, and in this fiduciary capacity, the Firm must place the interests of its clients before the Firm's own interests.

***Basic Principles.*** The Firm's Code of Ethics is based on a few basic principles: (i) the Firm and its personnel must place the interests of the Firm's clients above their own; (ii) the professional activities and personal investment activities of the Firm's personnel must be consistent with the Code of Ethics and avoid any actual or potential conflict between the interests of clients and those of the Firm or its personnel; (iii) the activities of the Firm's personnel must be conducted in a way that avoids any abuse of any such person's position of trust with and responsibility to the Firm and its clients; (iv) the Firm's personnel must not take any inappropriate advantage of their positions with the Firm; (v) the Firm must maintain independence in its investment decision-making process; and (vi) the Firm's personnel may not engage in any act, practice or course of conduct that would violate the provisions of Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "***Advisers Act***"), and other applicable securities laws.

***Conflicts of Interest.*** As a fiduciary, the Firm has an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of its clients. The Firm makes every effort to avoid conflicts of interest and fully disclose all material facts concerning any conflict of interest that may arise with respect to any of its clients. The Firm stresses that individuals subject to its Code of Ethics must try to avoid situations that have even the appearance of conflict or impropriety.

***Insider Trading.*** The Firm's personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of the Firm's personnel and extends to their activities both within and outside their duties for the Firm. The Firm has also implemented policies and procedures designed to detect and prevent insider trading.

***Personal Securities Transactions.*** All personnel must comply with the Firm's policy on personal trading. Except with respect to certain excepted personnel, securities (including, indices, mutual funds, exchange-traded funds and certain government securities) and/or accounts for which a person does not exercise investment discretion, personal securities transactions by the Firm's personnel must be pre-approved by the Firm's Chief Compliance Officer (the "***Chief Compliance Officer***").

***Holdings and Transactions Reports.*** Every employee and access person must submit both initial and annual holdings reports to the Chief Compliance Officer that disclose all covered securities held in any personal account. Every employee and access person must also submit a quarterly transaction report to the Chief Compliance Officer for each covered securities transaction in any personal account.

***Service as a Director.*** The Firm's personnel are prohibited from serving on the boards of directors of any outside company, unless the service (i) would be in the best interests of the Firm or its clients and (ii) has

been approved in writing by the Chief Compliance Officer; provided that the Firm's personnel will not be required to obtain prior written approval for service on the boards of directors of charitable or civic organizations. In addition, any Firm personnel serving on the board of a private company which is about to go public may be required to resign either immediately or at the end of the current term.

**Reporting of Violations.** The Firm has implemented policies and procedures whereby its personnel are required to report any violation, apparent violation or potential violation of the Firm's Code of Ethics to the Chief Compliance Officer.

**Review and Enforcement.** The Chief Compliance Officer is responsible for ensuring adequate supervision over the activities of all persons who act on the Firm's behalf in order to prevent and detect violations of the Firm's Code of Ethics by such persons.

## **B. Material Financial Interest in Client Transactions**

Generally, neither the Firm nor any related person of the Firm recommends to the Firm's clients, or buys or sells for the Firm's clients, securities in which the Firm or a related person of the Firm has a material financial interest, except (i) with respect to investments in Nassau CLOs and transactions effected pursuant to a warehousing arrangement, (ii) the purchase by CLO SPVs of notes issued by Nassau CLOs, (iii) the purchase of notes issued by Nassau CLOs by clients of Nassau Private Credit LLC ("**NPC**"), a wholly-owned subsidiary of NCC, and (iv) the investment by clients of NPC in obligations of CLOs in which the Firm and/or its affiliates, including NPC, have a debt, equity or participation interest or have otherwise participated in the origination, structuring, negotiation, syndication or offering of such investments. The purchase, holding and sale of such investments by a client of NPC may enhance or diminish the profitability of investments of the Firm and/or its affiliates, including NPC, and the interests of NPC's clients may conflict with those of the Firm and/or its affiliates. The Firm and its affiliates will endeavor to treat each of their respective clients equitably and fairly.

## **C. Participation in Client Transactions**

Generally, neither the Firm and nor any related persons of the Firm invest in the same securities or related securities that the Firm or a related person of the Firm recommends to the Firm's clients, except (i) with respect to investments in Nassau CLOs and transactions effected pursuant to a warehousing arrangement, (ii) the purchase by CLO SPVs of notes issued by CLOs and (iii) the Firm and its affiliates and their respective clients and personnel may invest, or have already invested, in securities or other financial instruments that are senior or junior to securities or financial instruments of the same issuer that NPC may cause a client of NPC to invest in. The Firm and its affiliates, including NPC, recognize that conflicts may arise under such circumstances and will endeavor to treat each of their respective clients fairly and equitably.

## **D. Transactions Simultaneous with Client Transactions**

Generally, neither the Firm nor any related persons of the Firm recommends securities to the Firm's clients, or buys or sells securities for the Firm's clients, at or about the same time that the Firm or a related person buys or sells the same securities for the Firm's own (or the related person's own) account, except (i) transactions made on behalf of insurance companies with which the Firm and NAM are affiliated, (ii) the purchase by CLO SPVs of notes issued by CLOs, or (iii) when exceptions are made under limited circumstances.

From time to time, subject to client or investment guidelines and restrictions, the Firm is authorized to direct one of its clients to sell investments to another of the Firm's clients through an internal cross transaction in



which the Firm will receive no compensation. In most cases, an independent pricing mechanism will be used to ensure objectivity. However, there could be times in which that pricing mechanism is not feasible or fair to the Firm's clients, in which case the Firm will seek some pricing mechanism that is fair to both such clients.

To the extent that any such transaction may be viewed as a principal transaction due to the ownership interest in the client by the Firm and its personnel, the Firm will comply with the requirements of Section 206(3) of the Advisers Act, and provide written notification to such client and obtain client consent either prior to the principal transaction or prior to its settlement.

In addition, the Firm may give advice or take action with respect to investments of one or more of its clients that may not be given or taken with respect to other clients with similar investment programs, objectives and strategies. Accordingly, the Firm's clients with similar investment strategies may not hold the same investments or achieve the same performance. The Firm may also advise clients with conflicting programs, objectives or strategies. These activities may adversely affect the prices and availability of other investments held or potentially considered for one or more clients.

From time to time, the Firm may acquire securities or other financial instruments of an issuer for one of its clients which are senior or junior to securities or financial instruments of the same issuer that are held by, or acquired by, another of the Firm's clients. The Firm recognizes that conflicts may arise under such circumstances and will endeavor to treat all of its clients fairly and equitably.

## **Item 12. Brokerage Practices**

### **A. Selection of Broker-Dealers**

The Firm has full authority to select broker-dealers to execute its clients' investment transactions. The Firm allocates a portion of each client's brokerage business to such brokers on the basis of certain considerations, which may include:

- The amount of commission;
- The quality of execution;
- Reputation, financial strength and stability;
- Block trading and block positioning capabilities;
- Willingness to execute difficult transactions;
- Willingness and ability to commit capital;
- Access to underwritten offerings and secondary markets;
- Ongoing reliability;
- Overall costs of a trade;
- Nature of the security and the available market makers;
- Desired timing of the transaction and size of trade;
- Confidentiality of trading activity; and/or
- Market intelligence regarding trading activity.

Although the Firm seeks competitive rates, it may not necessarily obtain the lowest possible commission for client account transactions. The commissions and/or transaction fees charged by a broker-dealer may be higher or lower than those charged by other broker-dealers.

Neither the Firm nor any related person receives client referrals from any broker-dealer or third party that provides brokerage services to the Firm's clients.

At this time the Firm is not a party to, and does not anticipate entering into, any formal "soft dollar" arrangements. However, one or more of the Firm's clients may permit the Firm to use "soft dollars" generated by such clients to pay for the research related services. In the event that the Firm utilizes allocations of commission dollars, it would do so solely to pay for products or services that qualify as "research and brokerage services" within the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934, as amended.

## **B. Aggregation of Orders**

From time to time, the Firm places, as an aggregated order for execution, orders for publicly traded securities at the same time for the accounts of two or more of its clients. This practice enables the Firm's clients to seek more favorable executions and net prices for the combined order. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day are generally allocated *pro rata* among the participating clients in accordance with the initial amounts ordered by each client. However, the *pro rata* allocation may be adjusted, such as to avoid having odd amounts of shares held in any client's account, to avoid deviations from any pre-determined minimum/maximum holdings limits established for any client, or to facilitate the ramping of a Warehouse Facility or newly issued CLO. Each client that participates in the order shall do so at the average price for all the transactions and shall share in commissions or other transaction costs on a *pro rata* basis.

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

Mr. Jackson, in his capacity as the Firm's Chief Investment Officer, reviews client portfolios on a continuous basis.

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

### **A. Non-Client Economic Benefits**

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

### **B. Compensation for Client Referrals**

At this time the Firm is not a party to an arrangement to pay a third party for the referral or solicitation of clients or investors in the CLOs or CLO SPVs to which the Firm provides investment advisory services.

## **Item 15. Custody**

Although the Firm does not have custody of certificated securities (which are typically custodied by the Firm's clients' third party custodian), the Firm is deemed to have custody over the assets of the CLO SPVs according to the custody rule set forth in Rule 206(4)-2 under the Investment Advisers Act of 1940, as

amended. The Firm will comply with such custody rule by engaging an independent public accountant to verify such assets by surprise examination at least once during each calendar year.

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

The Firm has been provided with discretionary authority to manage the investment accounts of the CLOs and CLO SPVs to which the Firm provides investment advisory services as set forth in, and limited by, the terms and conditions of the relevant advisory agreement, offering document, organizational agreement or other governing documents of such CLOs and CLO SPVs.

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

The Firm has been provided with authority to vote proxies relating to securities in certain client accounts. Accordingly, the Firm has adopted policies and procedures governing the voting of proxies that include the elements set forth below.

**General Policy.** The general policy is to vote proxies, which includes proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any, in a manner that serves the best interests of the investing client(s), as determined by the Firm in its discretion, and taking into account relevant factors, including, but not limited to:

- The impact on the value of the securities;
- The anticipated costs and benefits associated with the proposal;
- The effect on liquidity; and
- Customary industry and business practices.

**Specific Policies.** Specific policies set forth in the Firm's policies and procedures include:

- Routine matters are typically proposed by company's management, directors, general partners, managing members or trustees and (i) do not measurably change the structure, management, control or operation of the company; (ii) do not measurably change the terms of, or fees or expenses associated with, an investment in the company; and (iii) are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company. For routine matters, the Firm will vote in accordance with the recommendation of the company's management, directors, general partners, managing members or trustees, as applicable, unless, in our opinion, such recommendation is not in the best interests of the investing client(s).
- Non-routine matters involve a variety of issues and may be proposed by a company's management or beneficial owners, and may involve (i) a measurable change in the structure, management, control or operation of the company; (ii) a measurable change in the terms of, or fees or expenses associated with, an investment in the company; or (iii) a change that is inconsistent with industry standards and/or the laws of the state of incorporation applicable to the company. The Firm has specific proxy voting policies for non-routine matters, and in some cases, the Firm votes on a case-by-case basis.

**Abstaining from Voting or Affirmatively Not Voting.** The Firm will abstain from voting (which generally requires submission of a proxy voting card) or affirmatively decide not to vote if the Firm determines that abstaining or not voting is in the best interests of the investing client(s). In making such a determination,

we will consider various factors including, but not limited to, (i) the costs associated with exercising the proxy (e.g., translation or travel costs); and (ii) any legal restrictions on trading resulting from the exercise of a proxy. Furthermore, the Firm will not abstain from voting or affirmatively decide not to vote merely to avoid a conflict of interest.

**Conflicts of Interest.** At times, conflicts may arise between the interests of the investing client(s), on the one hand, and the interests of the Firm or its affiliates, on the other hand. If the Firm determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, we will address matters involving such conflicts of interest as follows:

- If a proposal is addressed by the specific policies in these procedures, the Firm will vote in accordance with such policies.
- If we believe it is in the best interest of the investing client(s) to depart from the specific policies provided for in these procedures, the Firm will be subject to the requirements of the third and fourth bullet points below, as applicable.
- If the proxy proposal is (i) not addressed by the specific policies or (ii) requires a case-by-case determination by the Firm, we may vote such proxy as we determine to be in the best interest of the investing client(s), without taking any action described in the fourth bullet point below, provided that such vote would be against the Firm's own interest in the matter (*i.e.*, against the perceived or actual conflict).
- If the proxy proposal is (i) not addressed by the specific policies or (ii) requires a case-by-case determination by the Firm, and (iii) we believe we should vote in a way that may also benefit, or be perceived to benefit, the Firm's own interest, then the Firm must take one of the following actions in voting such proxy:
  - Delegate the voting decision for such proxy proposal to an independent third party;
  - Delegate the voting decision to an independent committee of partners, members, directors or other representatives of the investing client, as applicable;
  - Inform the investing client of the conflict of interest and obtain consent to vote the proxy as recommended by the Firm; or
  - Obtain approval of the decision from the Chief Compliance Officer and third party legal advisors.

A complete copy of the Firm's policies and procedures governing the voting of proxies, together with information regarding how we voted particular proxies, will be provided to clients and prospective clients upon request.

## **Item 18. Financial Information**

The Firm does not require, nor does it solicit, prepayment of more than \$1,200 in fees per client, six months or more in advance.

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