

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

ANNALY

CREDIT OPPORTUNITIES MANAGEMENT

An Annaly Company

1211 Avenue of the Americas, 41ST Floor
New York, NY 10036
Telephone: (212)696-0100

This brochure provides information about the qualifications and business practices of our firm, Annaly Credit Opportunities Management LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 212-696-0100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC” or the “Commission”) or by any state securities authority. Additional information about us is available on the SEC’s website at www.adviserinfo.sec.gov. We are an investment adviser registered with the SEC. Registration of an investment adviser does not imply any level of skill or training.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

Item 2 – Material Changes

This brochure dated August 25, 2021 is an update to the prior brochure dated March 31, 2021 and contains the following material changes:

- Item 4 has been updated to reflect that the Adviser’s parent company, Annaly Capital Management, Inc., transferred the majority of the assets of its Commercial Real Estate business to Slate Asset Management in July 2021 (the “Closing”). Items 4-8, 10, 11 and 13 have been updated to reflect that the Adviser no longer provides collateral management services to, or acts as collateral manager of, the CLOs (as defined below) as a result of the Closing.
- Item 8 has been updated to add a risk factor related to the expected LIBOR discontinuance.
- Item 11 has been updated to reflect that the Adviser utilizes Schwab Compliance Technologies to obtain attestations from supervised persons related to the Adviser’s Code of Business Conduct and Ethics.

If warranted, we can update this brochure to provide amended or additional disclosure information throughout the year.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge upon request. Currently, our brochure can be requested by contacting Corlis David at 212-696-0100.

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	4
Item 7 – Types of Clients	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	5
Item 9 – Disciplinary Information	18
Item 10 – Other Financial Industry Activities and Affiliations.....	18
Item 11 – Code of Business Conduct and Ethics	22
Item 12 – Brokerage Practices.....	23
Item 13 – Review of Accounts	23
Item 14 – Client Referrals and Other Compensation	24
Item 15 – Custody	24
Item 16 – Investment Discretion	24
Item 17 – Voting Client Securities	25
Item 18 – Financial Information.....	25

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

Item 4 – Advisory Business

FIRM DESCRIPTION

The Adviser was formed in Delaware in 2017, and is registered with the SEC. The Adviser is an indirect, wholly-owned subsidiary of Annaly Capital Management, Inc. (NYSE: NLY), a publicly-traded real estate investment trust (“Annaly”).

In July 2021, Annaly transferred the majority of the assets of its Commercial Real Estate business (the “Closing”) to Slate Asset Management. Prior to the Closing, the Adviser had served as the collateral manager for portfolios of certain commercial real estate collateralized loan obligations (“CLOs”). However, as a result of the Closing, the Adviser no longer provides collateral management services to, or acts as collateral manager of, the CLOs.

SERVICES PROVIDED

The business of the Adviser primarily consists of advising private investment funds and co-investment vehicles (“Managed Funds” and each, a “Managed Fund”) focused on (a) middle market credit opportunities or (b) residential mortgage loans and residential mortgage backed securities. Such Managed Funds are referred to in this brochure as “Clients,” collectively, and each, a “Client.”

The Adviser’s investment advisory services to the Managed Funds pursuing middle market credit opportunities are principally focused on commercial lending and investment, including originating, investing in and managing commercial debt-related investments, including senior loans, subordinated debt, mezzanine loans, and related investments. The Adviser’s investment advisory services to the Managed Funds pursuing residential mortgage credit investments are principally focused on aggregating residential mortgage whole loans, securitizing such whole loans and holding a portion of the securities resulting from such securitizations. The Adviser’s advice to the Managed Funds is tailored to the specific investment objectives and restrictions of each Managed Fund.

The services provided by the Adviser to the Managed Funds are subject to the organizational documents, Management Agreements (as defined herein), offering materials or other related documents (“Governing Documents”) of each Client.

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

MANAGEMENT AGREEMENTS

The Adviser manages assets in the Managed Funds pursuant to investment management agreements (“Management Agreements”). The fees, investment guidelines and other relevant terms for each Client are outlined in the Management Agreements and Governing Documents applicable to that Client. While the Adviser often follows its own strategies defined in the Governing Documents and Management Agreements, the Clients are permitted to impose restrictions on investing in certain securities or types of securities, which must be detailed in writing.

The Adviser is not permitted to assign (within the meaning of the Investment Advisers Act of 1940, as amended (the “Advisers Act”)) a Management Agreement without consent from the applicable Client. Termination of an advisory relationship is subject to the applicable Governing Documents. In some cases, a Client or the Adviser could be permitted to terminate the corresponding Management Agreement at-will with advance written notice. Fees will be charged through the date service is terminated.

As of December 31, 2020, the Adviser managed \$1,288,267,043 in assets for Clients (which at that time, also included the CLOs), all on a discretionary basis.

Item 5 – Fees and Compensation

FEE SCHEDULE

All fees are subject to negotiation.

The types and amounts of, and the related limitations and restrictions on, fees charged by the Adviser are set forth in each Client’s respective Management Agreement; and the fees and expenses related to Clients are fully specified in the respective Governing Documents for each Client.

The Adviser typically bills fees on a monthly or quarterly basis in arrears. A Client can elect to be billed directly for fees or to authorize the Adviser to debit fees directly from the Client’s accounts. Fees charged to Managed Funds can be prorated for each capital contribution or withdrawal made during the applicable billing period. Accounts initiated or terminated during a calendar quarter are charged a prorated fee. Upon termination of any account, any

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

The Adviser's fees are exclusive of brokerage commissions, transaction fees and costs (including broken deal costs), and other management related costs and expenses which shall be incurred by Clients. Client expenses are set forth in the Governing Documents and can include (i) administration, legal, auditing, consulting, banking, custody, regulatory, compliance, reporting (including securities filings related to the Client) and accounting expenses; (ii) tax expenses and expenses related to a Client's financial statements, tax returns, tax estimates and filings (including, without limitation, expenses related to the foregoing incurred to allow a Client or its affiliate(s) to comply with non-U.S. and U.S. federal, local and state laws and regulations (including all expenses incurred with respect to filing the Form PF and Form D as well as to comply with the requirements of the Alternative Investment Fund Managers Directive, as implemented in any relevant jurisdiction (and including any secondary legislation, rules and/or associated guidance)); (iii) expenses associated with the identification, investigation, acquisition, holding, structuring, organizing, financing, refinancing, restructuring, winding up, liquidation, dissolution and disposition of the Client's assets; (iv) all costs incurred in connection with the organization, management, operation, and dissolution, liquidation and final winding up of any blocker subsidiaries; (v) expenses incurred in connection with valuing a Client's assets, including, without limitation, third party valuation services; (vi) expenses attributable to any proposed investment that is ultimately not made by a Client (including expenses that may have been allocable to third-party co-investors had such transactions been consummated); (vii) all costs of leverage incurred by a Client and other similar fees and expenses, all interest on borrowed funds (if any), and other expenses relating to the financing or refinancing of any indebtedness of, guarantees or other obligations of the Client; (viii) expenses incurred in connection with the obtaining and maintaining of insurance policies by or on behalf of a Client, its general partner and the Adviser (including directors and officers, errors and omissions liability and other insurance); (x) extraordinary expenses of a Client (such as fees or expenses incurred in litigation or in respect of indemnification obligations); (xi) expenses of the Advisory Board (as defined herein) of a Client, if any; (xi) any taxes, fees and other governmental charges levied against a Client; (xii) any loan servicing fees (*e.g.*, structuring and/or underwriting and arrangement fees from loan syndication activities, administrative loan agency fees and investment advisory fees) whether such fees are paid to a third party or to Annaly, or an entity affiliated with Annaly; and (xiii) organizational expenses of a Client. Such costs and expenses are exclusive of and in addition to the Adviser's fees, and, except as set forth in the

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

applicable Governing Documents with respect to any Client, the Adviser does not receive any portion of these costs and expenses.

In particular with respect to the Managed Funds, Annaly will incur fees in connection with the origination or acquisition of loans or other assets or the holding of a loan or asset, including commitment fees, unused facility fees, prepayment premiums, amendment fees, and other similar fees, payments or compensation. Annaly will, subject to the applicable Governing Documents, allocate to the Managed Funds the portion of these fees attributable to the loans held by the Managed Fund. In addition, Annaly will generate fees in respect of loans when it is the lead arranger of such loans, which may include structuring and/or underwriting and arrangement fees from loan syndication activities, administrative loan agency fees, and investment advisory fees. Such fees will be retained by Annaly and will not offset the fees paid by, or otherwise shared with, the Managed Funds.

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

Arrangements for performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client), if any, are negotiated with each Client on an individualized basis and will in all cases be in compliance with Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Currently, we have arrangements for performance-based compensation for Managed Funds.

Generally, the payment of performance-based compensation for a Managed Fund will be subject to a specified “hurdle” rate. When measuring a Managed Fund’s assets for the calculation of performance-based fees, the Adviser may include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities and an incentive to favor accounts based on differential pecuniary interests.

The Adviser can grant certain preferential terms to certain investors in Managed Funds, including a waiver or reduction of management fees or carried interest or other performance-based fees, a blended management fee, or carried interest rates that are lower than those generally applicable to investors in the Managed Fund.

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

The Adviser seeks to treat all Clients in a fair and equitable manner over time and will act in a matter that it believes to be in the best interests of the Clients. Accordingly, the Adviser has various procedures designed and implemented to ensure that the Clients are treated fairly and in accordance with our fiduciary obligations.

Item 7 – Types of Clients

The Adviser provides investment advice to the Managed Funds and other pooled investment vehicles. Investors in Clients are comprised of government and private pension funds, sovereign wealth funds, endowments, foundations, family offices, investment companies, insurance companies, private corporations and high net worth individuals.

Generally, investors participating in the Managed Funds are required to meet certain suitability and net worth qualifications, such as being (1) an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”) and “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), (2) a “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act, or (3) a non-U.S. person, depending on the eligibility requirements of the specific Client.

The minimum investment in each Managed Fund is stated in the applicable Governing Documents. The Adviser can waive such minimums for an investor in its discretion.

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

INVESTMENT STRATEGIES; METHODS OF ANALYSIS

Middle Market Loan Managed Funds

The Adviser’s objective for the Managed Funds focused on middle market credit opportunities is to generate high current income with a focus on preservation of capital by investing in senior secured loans to middle market companies located in the United States. To achieve this, the Adviser will primarily invest in customized debt financing to middle market companies. Specifically, the Managed Funds will invest across first lien loans (inclusive of unitranche loans), and second lien loans within the middle market.

The Adviser intends to leverage long-established partnerships with U.S. based private equity sponsors and intermediaries to source attractive financing opportunities that comply with

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

the Adviser's disciplined underwriting process. In addition, Annaly's direct origination platform provides the Adviser with access to each borrower's management team's experience, enhances the Adviser's due diligence of each borrower, and should allow significant input into each borrower's capital structure, including potentially direct negotiation of transaction pricing and terms. The Adviser believes the benefits of working with private equity sponsors include corporate governance, incremental due diligence, extensive monitoring, and operational expertise. The cornerstone of the Adviser's strategy is the robust corporate governance advantages that flow to debt providers with private equity ownership at a speed enabling such ownership structures to react quickly and comprehensively in adverse scenarios.

The Adviser will manage the Managed Funds' portfolios by employing the following principles:

- Large hold positions in each transaction
- Disciplined underwriting policy
- Maximize risk-adjusted returns by optimizing place in the capital structure
- Fundamental credit analysis
- Relationship-oriented investment
- Buy and hold strategy
- Rigorous portfolio management
- Quantitative risk ratings assessment throughout investment cycle

In addition, a unique attribute of the Adviser's strategy is Annaly's co-investment in all assets of certain of the Managed Funds. Investments which the Adviser has determined meet the investment objectives and criteria of such Managed Funds will be made by such Managed Funds and Annaly in accordance with an allocation policy between the Adviser and Annaly relating to the applicable strategy (each an "Allocation Policy").

Residential Credit Managed Funds

The Adviser's objective for the Managed Funds focused on residential mortgage loan credit investments is to generate current income with a focus on preservation of capital by investing in residential mortgage whole loans, securitizing those whole loans and holding a portion of the subordinated securities issued in such securitizations. A portion of such securities will require longer term retention under the U.S. credit risk retention rules. The Adviser intends to leverage relationships with mortgage loan originators that comply with

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

the Adviser's disciplined underwriting process to generate investment opportunities. The Adviser will rely on its deep experience analyzing the residential credit markets and trends in acquiring and managing these investments.

RISK OF LOSS

General Risk

Investing involves a risk of loss that investors in one or more Clients should be prepared to bear. Investors should carefully consider, among other factors, the following risks involved with the Adviser's investment strategies and methods of analysis.

- *Disease Outbreaks and Public Health Concerns.* Certain illnesses spread rapidly and have the potential to significantly adversely affect the global economy. The outbreak of infectious diseases and other serious public health concerns, including, but not limited to, the most recent outbreak of SARS-CoV-2 and the related COVID-19, or other similarly infectious diseases, together with any resulting restrictions on travel or impositions of quarantines, are creating significant disruptions in global supply chains and economic activity and are having a particularly adverse impact on various industries. With the general uncertainty surrounding the dangers and impact of COVID-19, such adverse impact has contributed to significant volatility in certain equity and debt markets. This may have a negative impact on the economic and business activities of the Adviser's Clients and its current and potential borrowers, which could materially and adversely affect the performance of the Clients' investments and the Clients' business, financial condition, liquidity, results of operations and prospects, and further may materially adversely affect the Adviser's ability to effectively conduct and manage the affairs of the Adviser's Clients. The Adviser cannot predict the likelihood of disease outbreaks occurring in the future nor how such outbreaks may affect the performance of the Adviser's Clients.
- *Cybersecurity Risks.* The Adviser's Clients' business relies on secure information technology systems. These systems are subject to potential attacks, including through adverse events that threaten the confidentiality, integrity or availability of the Adviser's Clients' information resources (i.e., cyber incidents). These attacks could involve gaining unauthorized access to the Adviser's or its Clients' information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption and result in

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to the Adviser's or its Clients' business relationships, any of which could have a material adverse effect on the Adviser's or its Clients' business, financial condition and results of operations. As the Adviser's and its Clients' reliance on technology has increased, so have the risks posed to the Adviser's and its Clients' information systems, both internal and those provided by the Adviser and third-party service providers.

- *LIBOR cessation.* In March 2021, the UK's Financial Conduct Authority formally announced the dates for the cessation of all U.S. Dollar London Interbank Offering Rate ("LIBOR") benchmark settings published by the ICE Benchmark Administration. On or before the relevant cessation date, instruments currently linked to LIBOR must be calculated based on the Secured Overnight Financing Rate ("SOFR") or some other calculation method. Assets of the Managed Funds that are corporate loans, adjustable rate mortgages, or certain securitization tranches bear interest at a rate determined by reference to LIBOR. The Adviser will seek to rely on federal and state guidance on recommended fallback rates or will seek to amend the relevant contracts. As market practices continue to develop, the Adviser will have more clarity on the solutions available. The Adviser's valuation models do not currently calculate the valuation impact of the fallback process, and the Adviser is not aware of third party pricing vendors generally doing so either.

Managed Funds

Identifying investment opportunities and managing those investments can be difficult. There can be no assurance that any Client account managed by the Adviser will be able to make and realize any particular investment or generate returns. Please refer to the Governing Documents for the applicable Client for more complete and detailed information regarding its investment strategies and methods of analysis, and the corresponding risks associated with those investment strategies and analysis.

Middle Market Loan Managed Funds

- *General Business Risks.* The middle market loan Managed Fund's investment portfolio will consist primarily of senior secured debt obligations and other securities that have significant risks as a result of business, financial, market or legal uncertainties. Such

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

investments involve business and financial risks that can result in substantial losses and investors may lose their entire investment in a Managed Fund.

- *Market Conditions.* There can be no assurance that the market will be liquid. For example, from mid-2007 through 2009, liquidity in the market for leveraged bank loans constricted significantly, resulting in a dramatic decline in the market price for many of these assets. There can be no assurance that another such liquidity crisis will not occur. Illiquidity in the market may adversely affect the Fund's ability to dispose of assets on favorable terms, or at all.

The credit markets experienced an unprecedented degree of dislocation during the credit crisis from 2007 through 2009. The Managed Funds' strategies carries significant risk of substantial loss if future market dislocations occur or if market conditions are adversely affected by other events, such as the failure of significant financial institutions or private equity or hedge funds, dislocations in other investment markets, or extrinsic events.

- *Middle Market Loan Risks.* A non-investment grade or unrated middle market loan is generally considered speculative in nature and may experience defaults for a variety of reasons. A middle-market loan may become subject to either substantial workout negotiations or a restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, deferral of payment, payments-in-kind of interest, and a substantial change in the terms, conditions and covenants with respect to such loan. In addition, such negotiations or restructuring may be quite extensive, protracted and costly over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such loan. The liquidity of a loan in default will be limited, and to the extent that a defaulted loan is sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced on middle market loans and an increase in default levels or a decrease in recoveries could adversely affect the returns of the Managed Funds.

Non-investment grade or unrated loans to middle market businesses may carry more inherent risks than non-investment grade loans to larger, publicly traded entities. For example, middle market loan obligors generally are not publicly traded entities and have significantly less publicly available information about them compared to

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

publicly traded entities. These middle market companies generally have more limited access to capital and higher financing costs, may be in a weaker financial position, may need more capital to expand or compete, and may be unable to obtain financing from their respective private equity sponsors, public capital markets or from traditional sources, such as commercial banks. Middle market loan obligors may be highly leveraged which may cause them to be more likely to be unable to meet their obligations in an economic downturn, a period of rising interest rates, a contraction of the leveraged loan market or a period of fluctuating exchange rates (in respect of those obligors located outside of the U.S.). Middle market businesses typically have narrower product lines and smaller market shares than large businesses. Therefore, they tend to be more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Middle market businesses may have more difficulties implementing enterprise resource plans and may face greater challenges integrating acquisitions than large businesses. These businesses may also experience substantial variations in operating results. Typically, the success of a middle market company also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on such middle market company and its ability to repay its obligations. A deterioration in a middle market obligor's financial condition and prospects may cause it to fail to satisfy net income, cash flow and other coverage tests typically imposed by lenders and may be accompanied by deterioration in the collateral securing a Managed Fund's investments. Such deterioration may impair the ability of such obligor to obtain refinancing, force it to seek to have its middle market loan restructured or result in a defaulted middle market loan.

- *Leveraged Investments.* The portfolio borrowers in which a Managed Fund will invest may be highly leveraged, thereby increasing the credit risk inherent in each investment. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. In addition, this leverage could accelerate and magnify declines in the value of a Managed Fund's investments in the leveraged portfolio borrowers in a down market. In the event any portfolio borrower cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio borrower, which could

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

adversely affect the returns of a Managed Fund. Furthermore, the companies in which a Managed Fund will invest generally will not be rated by a credit rating agency.

- *Non-Controlling Investments.* The Managed Funds will principally hold debt obligations and other non-controlling interests in portfolio borrowers and, therefore, each Managed Fund will have a limited ability to protect its position through the operation of such portfolio borrowers. Although the Adviser will monitor the performance of each investment, it will be the responsibility of a portfolio borrower's management to operate the portfolio borrower on a day-to-day basis. There can be no assurance that the management of a Managed Fund's portfolio borrowers will operate a company successfully.
- *Credit and Interest Rate Risks of Debt Securities.* Debt portfolios are subject to credit and interest rate risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, 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 which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risk associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (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.
- *Lender Liability Considerations and Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories ("lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of a Managed Fund's investments, the Managed Fund could be subject to allegations of lender liability.

- *Projections.* Projected operating results of a company in which a Managed Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.
- *Risks Associated with Bankruptcy Cases.* There are a number of significant risks inherent in the bankruptcy process. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Managed Fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority such as when they take over management and functional operating control of a debtor. In those cases where a Managed Fund, by virtue of such action, or by virtue of its investment in an issuer in which one or more other Annaly Vehicles has a controlling equity interest is found to exercise "domination and control" of a debtor, a Managed Fund may lose its priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equity holders were harmed by the Managed Fund.

A bankruptcy filing may have an adverse effect on a company, as the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. In addition, the duration of a bankruptcy proceeding is difficult to predict and the administrative costs in connection with a bankruptcy proceeding are frequently high. A creditor's return on investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until it ultimately becomes effective. Administrative costs will

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

be paid out of the debtor's estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law over the claims of certain creditors (*e.g.*, claims for taxes) may be quite high. U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Managed Fund's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in the class.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy, bankruptcy or reorganization proceedings by the General Partner or the Investment Manager. To the extent that the Adviser becomes involved in such proceedings, a Managed Fund may have a more active participation in the affairs of the issuer than that assumed generally by an investor. The Adviser or an affiliate, on behalf of a Managed Fund, may elect to serve on creditors' committees or other groups to facilitate preservation or enhancement of the Managed Fund's positions as a creditor. A member of any such committee or groups may owe certain obligations generally to all parties similarly situated that the committee represents. If the Adviser nor an affiliate concludes that its obligation owed to the other parties as a committee or group member conflict with its duties owed to a Managed Fund, it will resign from that committee or group, and the Managed Fund may not realize the benefits, if any, of participation on the committee or group. In addition, if a Managed Fund is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in such company while it continues to be represented on such committee or group.

- *Fraudulent Conveyance and Preference Considerations.* There is a risk that a Managed Fund's purchase of its investments may be subject to various federal and state laws enacted for the protection of creditors, by virtue of the Managed Fund's role as a creditor with respect to the borrowers under such investments. Furthermore, there is a risk that payments on an investment may be determined to be avoidable, either as fraudulent conveyances or preferences, in which case such payments can be recaptured either by a Managed Fund, as the initial recipient of such payments, or from subsequent transferees of such payments, including investors.

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

- *Event-Driven Special Situations.* The Managed Funds' strategies may, from time to time, involve investments in "event-driven" special situations such as recapitalizations, spinoffs, corporate and financial restructurings, litigation or other catalyst-oriented situations. The Adviser believes these types of investments often have less downside risk relative to their current valuations. The Managed Funds could, however, be incorrect in its assessment of the downside risk associated with an investment, thus resulting in a significant loss. Such investments are often difficult to analyze. The Managed Funds' risk management strategies cannot fully insulate the Managed Fund from the risks inherent in their planned activities. Moreover, in certain situations, the Managed Fund may be unable to, or may choose not to, implement risk management strategies because of the costs involved or other relevant circumstances.
- *Borrower Fraud.* Of paramount concern in originating loans is the possibility of material misrepresentation or omission on the part of borrowers or guarantors. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Managed Fund to perfect or effectuate a lien on the collateral securing the loan. The Adviser will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable but cannot guarantee such accuracy or completeness.

Residential Credit Managed Funds

- *General Business Risks.* The residential credit Managed Fund's investment portfolio will consist primarily of residential mortgage whole loans, securitized whole loans and subordinated securities issued in such securitization (collectively, "Residential Credit Assets"), each of which may have significant risks as a result of business, financial, market or legal uncertainties. Such investments involve business and financial risks that can result in substantial losses and investors may lose their entire investment in a Managed Fund. In particular, Residential Credit Assets will be materially affected by conditions in the financial markets and economic conditions in the United States, including interest rates, availability of and terms of credit, housing supply and demand, employment rates, inflation rates, economic uncertainty, natural disasters, changes in laws, regulation and policy, particularly those affecting the U.S. housing and real estate markets.

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

- *Federal and State Policy Considerations.* As a result of the credit crisis and subsequent financial turmoil, the federal government put in place statutory and regulatory frameworks and policies (including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) enacted in 2010) providing for extensive supervision and regulation of financial firms, as well as various state and local laws and regulations. In Particular, the Dodd-Frank Act and other recent federal and state legislation and rules have also affected residential mortgage loan origination, including underwriting, practices. These include rules prohibiting lenders from originating residential mortgage loans unless the lender determines that the borrower has a reasonable ability to repay the loan. Loans originated meeting certain criteria, including a determination of the borrower’s ability to repay the loan, and effective March 2021, loans seasoned thirty-six months or more with limited delinquency experience may be denominated as a “qualified mortgage.” Purchasers of qualified mortgages have limited assignee liability and securitizers of such mortgages are not subject to the risk retention rules described under “Liquidity” below. If a loan is not originated or seasoned in compliance with the “qualified mortgage” requirements (such loans being commonly referred to as “non-QM loans”), purchasers are not afforded the enhanced protections from legal liability associated with qualified mortgages, which, in addition to the risk retention requirements described below, increases the risk of investment in these types of Loans. These laws and regulations may affect the price and/or marketability of residential mortgage loans.

Clients bear the risk that future regulatory and legal developments and the attendant increase in servicing costs may result in situations where proceeds received in respect of residential mortgage loans are less than anticipated.

- *Housing Market Cyclicalities.* Beginning in the second quarter of 2007, the residential mortgage market in the United States, and the United States economy as a whole, experienced a variety of difficulties and negative economic conditions that adversely affected the performance and market value of Residential Credit Assets, which rebounded starting in 2012. Between 2007 and 2012, residential real estate values declined often severely, after extended periods of significant appreciation. Similarly, delinquencies and losses with respect to Residential Credit Assets increased during this period, leaving many mortgagors with little or no equity in their mortgaged properties. The lack of equity gives borrowers less incentive to cure delinquencies and avoid foreclosure and hinders their ability to refinance in an environment of

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

increasingly restrictive lending standards. Since 2012, however, the U.S. economy and the U.S. real estate market has seen gradual improvement with real estate prices increasing in certain markets, resulting in the restoration of some or all of certain borrowers lost equity. However, there can be no assurance that market conditions will remain or improve further in the near future.

As a result of market conditions and legislation, lenders initially adjusted their loan programs and underwriting standards to be generally more conservative, thereby reducing the availability of mortgage credit to prospective mortgagors and mortgagors seeking to refinance their mortgage loans. More recently, as the market has improved and the legislative requirements have become more mature and established, lenders have begun to offer loan products to borrowers across a broader credit spectrum.

Even as market conditions have continued to improve, the depressing effect of the above adverse conditions and increased regulations on the market value and liquidity of Residential Credit Assets generally may continue for some time. This may adversely affect a Client's ability to leverage its investments or achieve profitable returns and may delay return of capital or result in a loss in invested capital.

- *Model Assumptions.* Although updated periodically to reflect changing or additional assumptions or data, reliance on analytic models like those used by the Adviser entails significant risk, particularly if the assumptions or the data on which such models rely prove to be incorrect, misleading, or incomplete. In such case, reliance on models may lead the Adviser to recommend the purchase of Residential Credit Assets at prices that are too high, the sale of such assets at prices that are too low, or cause Clients to miss favorable opportunities altogether.

In addition, the Adviser stores the majority of the data upon which these models rely in computer databases. The failure of such computer systems could adversely affect Client accounts for whom such models are used.

- *Liquidity; Yield.* Investments in Residential Credit Assets are relatively illiquid, and such illiquidity may limit the Adviser's ability to optimally execute on loss mitigation or asset resolution strategies. Residential Credit Assets acquired by Clients may be subject to legal and other restrictions on transfer and a liquid market for such Residential Credit Assets may not exist. The market prices, if any, for such

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

investments tend to be volatile and may not be readily ascertainable and a Client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Prices for such Residential Credit Assets may fluctuate due to a variety of factors, including market and regulatory conditions, type of pool and composition of Residential Credit Assets and whether the Residential Credit Assets are performing or not.

The ability to securitize Residential Credit Assets may be adversely affected by the risk retention rules enacted by the federal bank regulatory agencies, HUD and the SEC pursuant to the Dodd Frank Act which become effective in late 2015. Such rules generally require securitizers to retain not less than 5% of the credit risk of the mortgage loans (other than qualified mortgage loans) securitized. In addition, since 2007 the public Loan securitization market has been significantly disrupted, and as a result securitizations of Residential Credit Assets have been accomplished with a limited number of institutional investors through the private market. The private market is a less liquid market, and generally affords investors more input into the price and other terms of the securitization. The sale of such Residential Credit Assets may require significant time. Such risk retention rules may also adversely affect the availability or terms of financing of Residential Credit Assets.

The rate and timing of residential mortgage loan prepayments as well as residential mortgage loan delinquencies will affect the investment's yield.

- *Concentration.* Investment in Residential Credit Assets generally involves more risk than investment in diversified asset types. In addition, specific portfolios of Residential Credit Assets may be or become concentrated in certain geographic areas, and as a result, may be adversely affected by economic, political, regulatory or natural events only affecting those limited regions.
- *Leverage.* A Client may borrow funds to pay expenses, make or facilitate new investments or for other purposes. The use of borrowed funds created the opportunity for greater total returns, but at the same time involves certain risks. A Client may not be successful without the use of significant leverage in its portfolio investments and leverage may be costly or unavailable. See "Liquidity" above. The inability of a client to obtain desired amounts of leverage may limit the Client's overall investment exposure, thereby reducing total returns. Borrowed funds are

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

subject to interest, transaction and other costs, which may not be recovered by portfolio returns and therefore decrease investment returns.

- *Interest Rate Risk.* Changes in market interest rates can affect the value of Residential Credit Assets. Generally, the value of re-performing residential mortgage loans are generally adversely affected as interest rates rise.

Item 9 – Disciplinary Information

Not applicable.

Item 10 – Other Financial Industry Activities and Affiliations

RELATED PERSONS

Managed Funds

We have relationships with, and will utilize, suggest or recommend our own services or those of entities which are related to us and are affiliates of Annaly in connection with our activities. The particular services involved will depend on the types of services offered by affiliates of Annaly. Certain of our trading, advisory and other activity for the Client can be delegated to Annaly affiliates at our discretion. These arrangements will generally involve sharing or joint compensation related to each entity's responsibilities for the Client, subject to the requirements of applicable law.

Business Relationship with Annaly

Prior to June 30, 2020, Annaly Management Company LLC ("AMCO"), was the external investment manager of Annaly. Effective June 30, 2020, Annaly closed on the acquisition of all of the assets and liabilities of AMCO and Annaly transitioned from an externally-managed real estate investment trust ("REIT") to an internally managed REIT.

The Adviser is an indirect wholly-owned subsidiary of Annaly. The Adviser will manage investments for the Managed Funds, while Annaly's officers and directors will manage investments for Annaly. In the future, the Adviser may also manage investments for other accounts, in which Annaly may or may not have a beneficial interest.

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

The Adviser's personnel also provide services to Annaly, and Annaly's personnel, including finance, accounting, legal and other employees, may provide services to the Adviser in relation to the Managed Funds and their respective investments.

These arrangements create conflicts of interest, as discussed below and in the Governing Documents for the Managed Funds, but this conflict of interest may also arise in ways not contemplated in this brochure or the applicable Governing Documents. In general, however, the Adviser and Annaly address conflicts of interest arising from this business relationship through the Allocation Policy applicable to a Managed Fund or other account, the Governing Documents of the Managing Funds and by adhering to the requirements of the Advisers Act and other applicable law.

- *Conflicts Related to Multiple Legal Duties.* The Adviser has a fiduciary duty under the Advisers Act to act in the best interest of the Managed Funds. The directors, officers and employees of Annaly, the parent of the Adviser, have a duty under Maryland law to act in the best interest of Annaly's shareholders. There may be instances where these duties are in conflict and present a conflict of interest to the Adviser's duties to the Managed Funds.
- *Conflicts Related to Allocation of Investment Opportunities.* There may be a conflict of interest in the allocation of investment opportunities among the Managed Funds, Annaly, and the other investment vehicles permitted by the Governing Documents of the Managed Funds ("Annaly Vehicles"). The many investment activities by the Adviser, Annaly and their affiliates may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to the Managed Funds. The Adviser intends to address such conflicts through the Allocation Policy applicable to such Managed Fund.

Further, because Annaly generally will co-invest in the same investment opportunities that the Adviser identifies for the Managed Funds in accordance with the applicable Allocation Policy, we must ensure that the investment opportunities are appropriate for both Annaly and the Managed Funds, which could create a conflict of interest. The type and characteristics of investments that are desirable to Annaly may change over time and are outside of the control of the Adviser. If a type or characteristic of a particular investment is not desirable to Annaly at any given time, the Managed Funds may not have the opportunity to invest in such investments even though they otherwise meet Annaly's investment criteria and objectives.

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

- *Conflicts Relating to Other Annaly Vehicles.* The Adviser, Annaly or their affiliates manage, or may manage, funds other than the Managed Funds, Annaly, or the Annaly Vehicles, which invest in assets eligible for purchase by the Managed Funds, and the Managed Funds may or may not participate in such investments. There may be a conflict of interest in the allocation of investment opportunities among the Managed Funds, Annaly, and the Annaly Vehicles, which are generally expected to be allocated pursuant to the applicable Allocation Policy, as amended from time to time to account for new Annaly Vehicles. In certain circumstances, the Managed Funds may invest in portfolio borrowers in which Annaly and/or an Annaly Vehicle has invested in another part of the portfolio borrower's capital structure, which may result in potential conflicts of interest, particularly in the case of financial distress of the portfolio borrower.

The Managed Funds may invest, directly or indirectly, in investments in which Annaly and/or an Annaly Vehicle (i) have an investment, (ii) are contemplating an investment, or (iii) have decided not to invest. In addition, Annaly and/or the Annaly Vehicles may invest, directly or indirectly, in investments in which the Funds (i) have an investment, (ii) are contemplating an investment, or (iii) have decided not to invest. Without limiting the foregoing, investors should be aware that the Managed Funds may have conflicting interests in negotiating the terms of an investment and investing in a company if Annaly and/or one or more other Annaly Vehicles have or propose to make an investment in the same issuer, particularly where Annaly and/or such Annaly Vehicle(s) have a controlling interest in the issuer. Such negotiated terms may include, but are not limited to, the collateral, if any, pledged to secure the issuer's obligations, the interest rates to be paid on the issuer's debt securities, the characterization of the issuer's securities (whether as preferred stock or subordinated debt), the amount and nature of equity securities (if any) attached to debt, the fees and expenses to be charged to or by the Managed Funds, and the nature of the covenants running in favor of the Managed Funds.

With respect to the middle market loan Managed Funds, the Adviser will typically notify a Managed Fund's advisory board (or equivalent committee of investor representatives) ("Advisory Board"), prior to causing a Managed Fund to purchase an investment from Annaly and/or an Annaly Vehicle, receive an investment by transfer from Annaly and/or an Annaly Vehicle, or sell or transfer to Annaly and/or an Annaly Vehicle an investment made by the Managed Funds; provided, however, that a Managed Funds shall not be required to notify its Advisory Board prior to purchasing

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

an investment or receiving an investment by transfer from Annaly and/or an Annaly Vehicle or selling or transferring an investment to Annaly and/or an Annaly Vehicle if (i) such transaction is effected pursuant to an order of a court of competent jurisdiction, (ii) such transaction occurs shortly after the investment was originally made by the Funds, Annaly and/or the Annaly Vehicle, as the case may be, for consideration equal to the purchase price paid by such person, fair market value or cost plus interest, (iii) if one or more third parties unaffiliated with a Managed Fund, Annaly, and their respective affiliates participates in the transaction on the same terms and conditions as the Managed Funds, or (iv) the Managed Funds purchase an investment or receives an investment by transfer from Annaly and/or an Annaly Vehicle at least 30 days after the investment was originally made by Annaly and/or the Annaly Vehicle (*i.e.*, after the investment has been “seasoned”) for consideration equal to the fair market value.

With respect to the residential credit Managed Funds, the Adviser will regularly acquire certain residential mortgage whole loans as well as residential mortgage-backed securities from securitizations that are sponsored by an affiliate of the Adviser. The Adviser will not be required to notify or seek the approval of the Managed Fund for such acquisitions. The purchase price will be set in accordance with the Governing Documents of such Managed Fund.

- *Conflicts Relating to Multiple Investors in Investments made by middle market loan Managed Funds.* Further conflicts could arise once Managed Funds have made an investment in a company in which Annaly and/or another Annaly Vehicle has also invested. For example, questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, raise conflicts of interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds, Annaly and/or other Annaly Vehicles may or may not provide such additional capital, and if provided, the participating Funds, Annaly and/or each other participating Annaly Vehicle will supply such additional capital in such amounts, if any, as determined by the Adviser, Annaly and/or the relevant managers of the other Annaly Vehicles in their sole discretion. The Adviser, Annaly and/or each manager of the other Annaly Vehicles will resolve all such conflicts by

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

considering in good faith the investment objectives of the Managed Funds, Annaly and such other Annaly Vehicles as a whole, rather than the investment, tax or other objectives of any one investment entity separately in good faith, subject in certain cases to approval by the advisory boards or investment committees of the participating investment vehicles.

- *Conflicts Related to Non-Public Information.* From time to time, the Adviser, Annaly and/or one or more of their affiliates may come into possession of material non-public information, and such information may limit the ability of the Managed Funds to buy and sell investments, even if such information was obtained in the context of the investment activities of Annaly and/or other Annaly Vehicles.

Item 11 – Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics (the “Code”) for all of our supervised persons describing our high standard of business conduct, and fiduciary duty to Clients. The Code is available to Clients or potential Clients upon request and includes standards of business conduct, avoiding conflicts of interest, a prohibition on insider trading, and personal securities trading procedures, among other things. We utilize Schwab Compliance Technologies to obtain attestations from supervised persons related to relevant provisions of the Code. Our employees must acknowledge the terms of the Code annually, or as amended.

Unless permitted by the Chief Compliance Officer, our supervised persons are prohibited from trading and investing in securities issued by Clients, as well as in mortgage backed securities and derivatives of mortgage backed securities. We maintain a Restricted List of securities in which there is a conflict or non-public information known about an issuer of securities. Our employees are prohibited from trading and investing in securities on the Restricted List unless permitted by the Chief Compliance Officer. For compliance purposes, the supervised persons are required to report their transactions quarterly, have their accounts monitored electronically by Schwab Compliance Technologies, or are required to have duplicate confirmations and account statements delivered to us for review if not electronically submitted.

The Code is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of the Clients, and (ii) implementing such decisions while, at the same time, allowing employees

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interests of the Clients. In addition, the Code requires pre-clearance of many transactions. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as the Client, the possibility exists employees might benefit from market activity by a Client in a security held by an employee. Employee trading is continually monitored under the Code through Schwab Compliance Technologies and the review of employee account confirmations and statements, in a reasonable effort to prevent conflicts of interest between us and our Client.

Clients or prospective Clients may request a copy of the Code by contacting the Chief Compliance Officer at 212-696-0100.

The Adviser recommends the purchase or sale of certain assets from Annaly. This is done in a manner that is consistent with the best interests of the Client, applicable law, and the governing, advisory, and other documents related to each respective Client.

Principal Transactions Involving Managed Funds

The Advisory Board of each middle market loan Managed Fund is required to consent to transactions between such Managed Fund and the Adviser or any of its affiliates, including any principal transactions, subject to the Governing Documents of such Managed Fund. In the future, we may establish certain guidelines in our compliance policy for entering into principal transactions between a Managed Fund, or any future Client, and the proprietary accounts of our affiliates.

Item 12 – Brokerage Practices

With respect to the Managed Funds, generally, the Adviser does not use broker-dealers for Client transactions. However, the Adviser has used and in the future is likely to use independent broker dealers to source residential mortgage loan investment opportunities for Managed Funds.

Item 13 – Review of Accounts

The Adviser will monitor all portfolio investments on behalf of each Client on an ongoing basis. Accounts with little or no activity may be reviewed on a less frequent basis, but no less

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

frequently than monthly where there is activity. Reviews of accounts are performed in the context of each Client's (i) adherence to the investment objectives and guidelines set forth in such Client's Governing Documents and (ii) investment performance. Reviewers include Portfolio Managers, Vice Presidents, Assistant Vice Presidents, and accounting personnel, as well as external independent auditors. Reviewers are instructed to confirm the accuracy of the account position, performance, and alignment with account objectives.

The Adviser provides reports to investors in the Clients as required by the applicable Governing Documents for such Clients, or otherwise agreed with a Client or an investor in a Client. The Governing Documents of certain Clients sometimes require quarterly and annual financial statements to be distributed to the Client's investors, and the Adviser also typically provides written investor letters with respect to a Client and its performance. The Adviser distributes tax information on Schedule K-1 to investors, where applicable, and provides certain other reports and analyses to investors and potential investors upon requests.

Item 14 – Client Referrals and Other Compensation

The Adviser will not receive economic benefits from non-Clients for providing investment advice or other advisory services to Clients.

The Adviser will not compensate third parties for Client referrals.

Item 15 – Custody

The Adviser will be deemed to have custody of certain Client assets, which will be administered in compliance with applicable rules and regulations. Clients generally undergo audits by independent accountants, which are hired by the Clients and all audit reports are disclosed to investors in that Client.

Item 16 – Investment Discretion

The Adviser will receive discretionary authority in writing from Clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account.

When selecting securities and determining the amounts to invest, the Adviser observe the investment policies, limitations, and restrictions of each Client. The Adviser's authority to

ANNALY CREDIT OPPORTUNITIES MANAGEMENT LLC

Form ADV, Part 2A BROCHURE

- - - - -

trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to the Adviser in writing.

Item 17 – Voting Client Securities

As a matter of policy and practice, the Adviser generally will not vote proxies on behalf of Clients. Each Client retains the responsibility for receiving and voting proxies for any and all securities maintained in its portfolios. The Adviser may provide advice to Clients regarding its voting of proxies.

In very limited instances, a Client may elect in writing to have us engage in the voting of proxies or making decisions relating to other proposed actions on Client securities on its behalf. The Adviser has adopted policies and procedures relating to voting proxies and other corporate actions that are designed reasonably to ensure that we vote proxies in the best interest of our Client where requested, including notice to the Client of any potential or actual conflict of interest that may arise. Clients may request a copy of our Corporate Action and Proxy Voting Policy, as well as a history of votes on its behalf by making a written request to the Chief Compliance Officer at the address set forth on the first page of this form.

Item 18 – Financial Information

Not applicable.