

## FORM ADV PART 2A: FIRM BROCHURE

### Item 1: Cover Page

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**This brochure provides information about the qualifications and business practices of SLR Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 993-1670. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about SLR Capital Partners, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2: Material Changes**

This amended brochure includes updates, none of which the Adviser believes to be material regarding the Adviser's business and practices with the following exception. Since the last annual update, which was made in March 2020, the Adviser officially changed its name from Solar Capital Partners, LLC to SLR Capital Partners, LLC. There was no change in ownership or control related to this name change.

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#### **Item 4: Advisory Business**

SLR Capital Partners, LLC (“**SLR**”, “**we**”, “**our**” and “**us**”) is a Delaware limited liability company that was formed in 2007. SLR is an SEC registered investment adviser that is controlled and led by Michael S. Gross and Bruce J. Spohler.

SLR provides investment management services to its advisory clients, which may include pooled investment vehicles, including public investment funds, joint ventures, separately managed accounts (“**SMA(s)**”), and other institutional clients (collectively, the “**Clients**”).

Our current advisory services are tailored to the needs of our Clients, based on the investment policies and restrictions contained in our applicable Security and Exchange Commission (“**SEC**”) registration statements, private placement memorandum, limited partnership and operating agreements, limited liability company agreements, investment management agreements, and other governing documents (the “**Governing Documents**”). As discussed more fully in Item 12, Clients may impose restrictions on investing in certain securities or types of securities.

We typically advise our Clients on direct and indirect U.S. middle-market private and public company investments across our industry verticals, including traditional and non-traditional asset-based lending, lender finance, life science lending and cash flow lending in the form of senior secured, stretch-senior and unitranche loans, and to a lesser extent, second lien and unsecured debt. We also may advise on equity investments. The companies in which we advise our Clients to invest are typically leveraged, often as a result of leveraged buy-outs or other recapitalization transactions. We may also provide investment advice regarding high-yield debt, stressed and distressed debt, international debt, short opportunities, long- and short-term purchases of general equity securities (including exchange listed, over-the-counter and foreign-issued securities), U.S. government securities, warrants and options contracts on securities.

We do not participate in any wrap fee program.

As of December 31, 2020, our regulatory assets under management (“**AUM**”) were approximately \$5.1 billion of which \$4.8 billion is discretionary and \$0.3 billion is non-discretionary.

#### **Firm Overview**

We are controlled and led by Michael S. Gross and Bruce J. Spohler, our co-founders. They are supported by a team of dedicated investment professionals. Our investment team has extensive experience in leveraged lending, including venture lending, as well as private equity investing, and they have significant contacts with financial sponsors. Our senior investment professionals have been active participants in the primary and secondary leveraged credit markets throughout their careers. They have effectively managed portfolios of senior loans, subordinated securities, distressed debt, and equity investments as well as other investment types and the depth of their prior experience and credit market expertise has led them through various stages of economic cycles as well as several market disruptions.

Since our formation through December 31, 2020, SLR has invested over \$12.5 billion in more than 750 different portfolio companies, involving in aggregate of over 200 different financial

sponsors.

## **Item 5: Fees and Compensation**

The compensation paid to SLR by each of the respective business development companies (“BDCs”) is set forth in the registration statements and investment advisory agreements filed with the Securities and Exchange Commission (“SEC”). As publicly disclosed, such fees are based on assets as well as an incentive fee if certain performance hurdles are met.

Investors in SMAs and Private Funds managed by SLR should review the Governing Documents for complete information on fees and compensation. Information regarding the fees and compensation payable by investors in any Client of SLR, where all investors are “qualified purchasers” as defined by Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), is not required to be provided herein.

We may negotiate separate fees for certain accounts rather than adhering to a rigid fee schedule. Negotiated fees may be based on a percentage of the assets which the Client has under management, fixed fees, administrative fees and such other fees which may be negotiated with the Client. Such fees may be affected by the amount of funds under management, the Client’s investment objective and the manner in which funds are invested.

Our advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the Client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

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

SLR is controlled and led by Michael S. Gross, the Co-Chief Executive Officer and Chairman of the Board of Directors of each of the BDCs and Bruce J. Spohler, Co-Chief Executive Officer, Chief Operating Officer and a Director of each of the BDCs. Since we and our Clients are under common management, there is a conflict of interest because we could direct Clients to follow our investment advice in a way which would generate fees, or higher fees, for us but which might not be in the Clients’ best interests.

The BDCs, the private funds, and one SMA are all subject to performance-based fees alongside one SMA that is not charged a performance-based fee. We address this conflict by implementing a number of controls.

We therefore manage multiple Client accounts that invest in the same types of securities and often co-invest together in the same transactions, and these different accounts may also bear incentive fees at different rates. This fact results in potential conflicts of interest in the allocation of new investment opportunities, and potentially also in connection with the management and disposition of investments because these allocations and other determinations could be affected by the likelihood that we will, or will not, earn performance-based fees or the amount thereof. See Item 12(C) below for a discussion of investment allocations and related conflicts of interest.

Another potential conflict of interest that can arise from our charging performance-based fees is that it may create an incentive for us to cause the Clients to engage in riskier investment behavior due to the higher return potential, which in turn may result in higher fees paid to us.

#### **Item 7: Types of Clients**

SLR generally provides investment management services to pooled investment vehicles, including public investment funds, private funds, joint ventures, separately managed accounts, and other institutional clients. SLR serves as the investment adviser on a discretionary basis to SLR Investment Corp. (formerly known as Solar Capital Ltd.), and SLR Senior Investment Corp. (formerly known as Solar Senior Capital Ltd.) both closed end, externally managed, non-diversified management investment companies that have elected to be regulated as a BDC under the 1940 Act. SLR also serves as the investment adviser on a discretionary basis to private funds and unlisted BDCs. In addition, SLR serves as the investment adviser on a non-discretionary basis to SMA(s).

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

Our Clients have similar investment objectives and strategies. Because the principals of SLR are the portfolio managers of the BDCs, the SMA(s) and the private funds an absolute level of independent judgment as it relates to matters affecting each Client may be absent under certain circumstances. While the Clients have similar investment strategies, the SMA(s) and private funds have the authority to make investments which may not be consistent with the investment strategy and regulatory restrictions of the BDCs. Other situations may occur where the SMA(s) or private funds could be disadvantaged because of the investment activities we conduct for the BDCs or for other accounts that we may advise (or vice versa). We address this conflict by implementing a number of controls.

The BDCs invest primarily in private U.S. middle market companies with a focus on current income and preservation of capital. SLR believes the supply of primary capital is limited to private U.S. middle market companies and therefore investment opportunities can be attractive in this market segment. From time to time and to a limited extent, the BDCs may also each invest in public companies but such investments typically have regulatory limits.

The SMA(s) and private funds also invest primarily in private U.S. middle market companies and can invest in public companies without any regulatory limits.

Our goal is to provide all Clients with attractive returns with less risk than many corporate fixed income alternatives such as high-yield bonds and liquid leveraged loan funds. However, there is no guarantee that we will be successful in achieving this goal. We endeavor to do so by using a private equity style underwriting approach, which includes extensive due diligence and active negotiation of deal terms and legal documentation.

We have identified several criteria that we believe are important in identifying and investing in prospective portfolio companies. These criteria provide general guidelines for our investment decisions; however, not all of these criteria will be met by each prospective portfolio company in which we choose to invest.

- Stable earnings and strong free cash flow
- Value orientation
- Value of assets
- Strong competitive position in industry
- Diversified customer and supplier base
- Exit strategy
- Experienced and committed management
- Strong sponsorship
- Stable returns on invested capital

## **Risks**

An investment in our Clients involves a risk of the loss of that entire investment, which investors must be prepared to bear.

Our prospectuses for the BDCs, the operating or subscription agreements of the SMA(s), and the placement memorandums for the private funds give detailed descriptions of risks to be aware of when investing in each of our respective Clients. Please see those documents for a more detailed description of the risks relating to such an investment. We are providing a summary of those risks below, but these will not be a complete or detailed list of the risks involved in investing in SLR's Clients.

## **Conflicts of Interest Generally**

### **Management of Multiple Accounts by the Investment Manager**

We (including our affiliates, principals and employees) have established, and may in the future establish, sponsor, or be affiliated with, other accounts that engage in the same or similar businesses as the Clients and use the same or similar investment strategies. We may own all or a portion of another account.

The portfolio strategies we use for other accounts could conflict with the transactions and strategies employed in managing our Clients' investments and affect the prices and availability of the financial instruments in which the current Clients invest. Situations could occur in which a Client could be disadvantaged because of the investment activities we conduct for other accounts. In addition, we have a conflict of interest in rendering advice to a Client because the financial benefit from managing some other Client's account may be greater (e.g., such account generates higher fees for us), which provides an incentive to favor the other account.

We have a conflict of interest in deciding whether a given investment opportunity will be provided to a particular Client. Investment opportunities appropriate for more than one Client will be allocated on the basis of several factors, including relative capital, tax and regulatory considerations, specific investment guidelines and composition of the investment pools at the time of purchase.

When we place the same or similar orders at or about the same time for our Clients, all these accounts may be competing for the same or similar positions and some accounts may be

disadvantaged relative to other accounts we manage. Factors that result in differences in allocations of securities, or the price received on such securities, among Clients include the size of an order, a previous history of purchasing securities through a particular broker or dealer and the timing of the placement of the orders.

## **Our Investments**

SLR invests for its Clients primarily in senior and stretch senior secured loans, and to a lesser extent second lien, unitranche and unsecured loans and preferred securities, as well as public and private equity investments. Our Clients have similar investment objectives and strategies. Because the principals of SLR are portfolio managers of the BDCs, an absolute level of independent judgment as it relates to matters affecting each Client may be absent under certain circumstances.

## **Allocation of Investment Opportunities**

When we determine that it would be appropriate for one or more of our Clients to participate in an investment opportunity, all of these Clients will be competing for the same or similar opportunities. We have the authority to combine orders and allocate the securities or proceeds arising out of those transactions (and the related transactional fee income and/or expenses).

We give advice and recommendations to, or buy securities for, some Clients which may differ from advice given to or securities recommended for other Clients. Many of the Securities in which we invest are limited availability investments. Accordingly, we might not be able to allocate investments that are suitable for more than one Client proportionately among different Clients, and we are not committed to allocating opportunities among the Clients in any particular proportion.

## **Allocation of Investment Manager Time and Resources**

We are not obligated to devote any specific amount of time, effort and/or resources to the affairs of any Client and are not required to accord exclusivity to any Client in the event of limited investment opportunities arising from the application of speculative position limits or other factors. Our personnel devote such time to the affairs of each Client as they, in their discretion, determine to be necessary for the conduct of the business of the Clients.

## **We operate in a highly competitive market for investment opportunities.**

A number of entities compete with us to make the types of investments that we target in leveraged companies. We compete with other BDCs, public and private funds, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have, which could allow them to consider a wider variety of investments and establish more relationships and offer better pricing and a more flexible structure than we are able to do. Furthermore, many of our potential competitors are not subject to the regulatory restrictions that the 1940 Act imposes on our



BDCs. If we are unable to source attractive investments, we may hold a greater percentage of our assets in cash and cash equivalents than anticipated, which could impact potential returns on our Clients' portfolios. We cannot assure you that the competitive pressures we face will not have a material adverse effect on the investments we manage for our Clients. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

Participants in our industry compete on several factors, including price, flexibility in transaction structure, customer service, reputation, market knowledge and speed in decision making. We do not seek to compete primarily based on the interest rates we will offer, and we believe that some of our competitors may make loans with interest rates that will be comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, Clients may experience decreased net interest income and increased risk of credit loss.

### **Our investments are very risky and highly speculative.**

We invest primarily in senior and stretch senior secured loans and to a lesser extent in second lien, unitranche and unsecured loans, as well as preferred securities, and select equity investments issued by leveraged companies.

*Senior Secured Loans.* When we make a senior secured term loan investment in a portfolio company, we generally take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which we expect to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

*Unsecured Loans and Preferred Securities.* Our unsecured and preferred investments are generally subordinated to senior loans. As such, other creditors may rank senior to us in the event of an insolvency. This may result in an above average amount of risk and loss of principal.

*Equity Investments.* When we invest in senior secured loans, unsecured loans or preferred securities, we may acquire common equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to exit such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that

we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

In addition, investing in middle-market companies involves a number of significant risks, including:

- these companies may have limited financial resources and may be unable to meet their obligations under their debt securities that our Clients hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with the investment;
- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on a portfolio company;
- they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, we may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies; and
- they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

**The lack of liquidity in our investments may adversely affect our ability to meet our investment objectives.**

We generally make investments in private companies. We invest and expect to continue investing in companies whose securities have no established trading market and whose securities are and will be subject to legal and other restrictions on resale or whose securities are and will be less liquid than are publicly-traded securities. Investments purchased by us that are liquid at the time of purchase may subsequently become illiquid due to events relating to the issuer of the investments, market events, economic conditions or investor perceptions. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. However, in instances where we want to maintain our qualification as a BDC and as a RIC, or need to meet some other provision of Governing Documents we may have to dispose

of investments if we do not satisfy one or more of the applicable criteria under the respective regulatory frameworks and Governing Documents. Domestic and foreign markets are complex and interrelated, so that events in one sector of the world markets or economy, or in one geographical region, can reverberate and have materially negative consequences for other market, economic or regional sectors in a manner that may not be foreseen and which may negatively impact the liquidity of our investments and materially harm our business. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

**Our Clients' portfolios may be concentrated in a limited number of portfolio companies and industries, which will subject them to a risk of significant loss if any of these companies performs poorly or defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry.**

Our BDCs' portfolios and other Clients may be concentrated in a limited number of portfolio companies and industries. Beyond the asset diversification requirements associated with our qualification as a RIC under Subchapter M of the Code, our BDCs do not have fixed guidelines for diversification. Our other Clients portfolio restrictions are defined in the Governing Documents. While we may not be targeting any specific industries, our investments may be concentrated in relatively few industries or portfolio companies. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

**Our investments in securities rated below investment grade are speculative in nature and are subject to additional risk factors such as increased possibility of default, illiquidity of the security, and changes in value based on changes in interest rates.**

The securities that we invest in are typically rated below investment grade. Securities rated below investment grade are often referred to as "leveraged loans," "high yield" or "junk" securities and may be considered "high risk" compared to debt instruments that are rated investment grade. High yield securities are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, high yield securities generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default.

The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities. In addition, many of our debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity.

**Price declines and illiquidity in the corporate debt markets have adversely affected, and may continue to adversely affect, the fair value of our Clients' portfolio investments, reducing their net asset value through increased net unrealized depreciation. Any unrealized depreciation our Clients' loan portfolios experience may be an indication of future realized losses, which could reduce the income available for distribution and could adversely affect the ability to service our outstanding borrowings.**

We are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our BDC's board of directors or as defined in our Governing Documents. Decreases in the market values or fair values of investments are recorded as unrealized depreciation. Any unrealized depreciation in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of income available for distribution in future periods and could materially adversely affect the ability to service our outstanding borrowings. Depending on market conditions, our Clients' portfolios could incur substantial losses in future periods, which could further reduce their respective net asset values.

***We are currently operating in a period of capital markets disruption and economic uncertainty.***

The U.S. capital markets have experienced extreme volatility and disruption following the global outbreak of COVID-19 that began in December 2019. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, have created significant disruption in supply chains and economic activity. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a world-wide economic downturn.

General uncertainty surrounding the dangers and impact of COVID-19 (including the preventative measures taken in response thereto and additional uncertainty regarding new variants of COVID-19 that have emerged in the U.K, South Africa and Brazil) has to date created significant disruption in supply chains and economic activity. Disruptions in the capital markets caused by the COVID-19 pandemic have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. These and future market disruptions and/or illiquidity would be expected to have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also would be expected to increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events have limited and could continue to limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments.

In addition, due to the outbreak in the United States, certain of our personnel are currently working remotely, which may introduce additional operational risk to us. Staff members of certain of our other service providers may also work remotely during the COVID-19 outbreak. An extended period of remote working could lead to service limitations or failures that could impact us or our performance.

Further, current market conditions resulting from the COVID-19 pandemic may make it difficult for us to obtain debt capital on favorable terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we would otherwise expect, including being at a higher cost in rising rate environments. If we are unable to raise debt, then our equity investors may not benefit from the potential for increased returns on equity resulting from leverage and we may be limited in our ability to make or fund commitments to portfolio companies. An inability to obtain indebtedness could have a material adverse effect on our business, financial condition or results of operations.

**Volatility or a prolonged disruption in the credit markets could materially damage your portfolio.**

We are required to record our assets at fair value, as determined in good faith by our board of directors, in accordance with our valuation policy or other contractual agreements. As a result, volatility in the capital markets may have a material adverse effect on our valuations and our net asset value, even if we hold investments to maturity. Volatility or dislocation in the capital markets may depress our stock price below our net asset value per share and create a challenging environment in which to raise equity and debt capital. These conditions could continue for a prolonged period of time or worsen in the future. While these conditions persist, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital.

The significant disruption in the capital markets experienced in the past has had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. The debt capital that may be available to us in the future may be at a higher cost and have less favorable terms and conditions than those currently in effect. If our financing costs increase and we have no increase in interest income, then our net investment income will decrease. A prolonged inability to raise capital may require us to reduce the volume of investments we originate and could have a material adverse impact on our business, financial condition and results of operations. This may also increase the probability that other structural risks negatively impact us. These situations may arise due to circumstances that we may be unable to control, such as a lengthy disruption in the credit markets, a severe decline in the value of the U.S. dollar, a sharp economic downturn or recession or an operational problem that affects third parties or us, and could materially damage our business, financial condition and results of operations.

**Economic sanction laws in the United States and other jurisdictions may prohibit us and our affiliates from transacting with certain countries, individuals and companies.**

Economic sanction laws in the United States and other jurisdictions may prohibit us or our affiliates from transacting with certain countries, individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control administers and

enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These types of sanctions may significantly restrict or completely prohibit investment activities in certain jurisdictions, and if we, our portfolio companies or other issuers in which we invest were to violate any such laws or regulations, we may face significant legal and monetary penalties.

The Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws and regulations, as well as anti-boycott regulations, may also apply to and restrict our activities, our portfolio companies and other issuers of our investments. If an issuer or we were to violate any such laws or regulations, such issuer or we may face significant legal and monetary penalties. The U.S. government has indicated that it is particularly focused on FCPA enforcement, which may increase the risk that an issuer or us becomes the subject of such actual or threatened enforcement. In addition, certain commentators have suggested that private investment firms and the funds that they manage may face increased scrutiny and/or liability with respect to the activities of their underlying portfolio companies. As such, a violation of the FCPA or other applicable regulations by us or an issuer of our portfolio investments could have a material adverse effect on us. We are committed to complying with the FCPA and other anti-corruption laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, we may be adversely affected because of our unwillingness to enter into transactions that violate any such laws or regulations.

**If we cannot obtain additional capital because of either regulatory or market price constraints, we could be forced to curtail or cease our new lending and investment activities, our net asset values could decrease and our level of distributions and liquidity could be affected adversely.**

Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

**Changes relating to the LIBOR calculation process may adversely affect the value of our portfolio of LIBOR-indexed, floating-rate debt securities.**

The London Interbank Offered Rate (“LIBOR”) is the basic rate of interest used in lending transactions between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in floating-rate loans we extend to portfolio companies such that the interest due to us pursuant to a term loan extended to a portfolio company is calculated using LIBOR. The terms of our debt

investments generally include minimum interest rate floors which are calculated based on LIBOR.

On March 5, 2021, the United Kingdom's Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that (i) 24 LIBOR settings would cease to exist immediately after December 31, 2021 (all seven euro LIBOR settings; all seven Swiss franc LIBOR settings; the Spot Next, 1-week, 2-month, and 12-month Japanese yen LIBOR settings; the overnight, 1-week, 2-month, and 12-month sterling LIBOR settings; and the 1-week and 2-month US dollar LIBOR settings); (ii) the overnight and 12-month US LIBOR settings would cease to exist after June 30, 2023; and (iii) the FCA would consult on whether the remaining nine LIBOR settings should continue to be published on a synthetic basis for a certain period using the FCA's proposed new powers that the UK government is legislating to grant to them. Central banks and regulators in a number of major jurisdictions (for example, United States, United Kingdom, European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for interbank offered rates. To identify a successor rate for U.S. dollar LIBOR, the Alternative Reference Rates Committee ("ARRC"), a U.S.-based group convened by the Federal Reserve Board and the Federal Reserve Bank of New York, was formed. The ARRC has identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR, at this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or other reforms to LIBOR that may be enacted in the United States, United Kingdom or elsewhere or, whether the COVID-19 pandemic will have further effect on LIBOR transition plans.

The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market for or value of any LIBOR-indexed, floating-rate debt securities, loans, and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. In addition, while the majority of our LIBOR-linked loans contemplate that LIBOR may cease to exist, we will still need to renegotiate the credit agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established, which may have an adverse effect on our overall financial condition or results of operations. Following the replacement of LIBOR, some or all of these credit agreements may bear interest at a lower interest rate, which could have an adverse impact on the value and liquidity of our investment in these portfolio companies and our results of operations. Moreover, we may need to renegotiate certain terms of our credit facilities. If we are unable to do so, amounts drawn under our credit facilities may bear interest at a higher rate, which would increase the cost of our borrowings and, in turn, affect our results of operations.

**Economic recessions or downturns could impair the ability of our portfolio companies to repay loans and harm our operating results.**

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets may increase and the value of our portfolio may decrease during these periods as we are required to record the values of our investments. Adverse economic conditions also may

decrease the value of collateral securing some of our loans and the value of our equity investments at fair value. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and result in our receipt of a reduced level of interest income from our portfolio companies and/or losses or charge offs related to our investments, and, in turn, may adversely affect distributable income and have a material adverse effect on our results of operations.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets, which could trigger cross- defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the debt that we hold. We may incur additional expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided significant managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holdings and subordinate all or a portion of our claim to that of other creditors.

These portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities and greater number of qualified and experienced managerial and technical personnel. They may need additional financing which they are unable to secure and which we are unable or unwilling to provide, or they may be subject to adverse developments unrelated to the technologies they acquire.

**The continued uncertainty related to the sustainability and pace of economic recovery in the U.S. and globally could have a negative impact on our business.**

Our business is directly influenced by the economic cycle, and could be negatively impacted by a downturn in economic activity in the U.S. as well as globally. Fiscal and monetary actions taken by U.S. and non-U.S. government and regulatory authorities could have a material adverse impact on our business. To the extent uncertainty regarding the U.S. or global economy, including as a result of the global COVID-19 pandemic, negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be adversely affected. Moreover, Federal Reserve policy, including with respect to certain interest rates and the decision to end its quantitative easing policy, along with the general policies of the current Presidential administration, may also adversely affect the value, volatility and liquidity of dividend- and interest-paying securities. Market volatility, rising interest rates and/or a return to unfavorable economic conditions could adversely affect our business.

**We may suffer a loss if a portfolio company defaults on a loan and the underlying collateral is not sufficient.**

In the event of a default by a portfolio company on a secured loan, we will only have recourse to the assets collateralizing the loan. If the underlying collateral value is less than the loan amount, we will suffer a loss. In addition, we sometimes make loans that are unsecured, which



are subject to the risk that other lenders may be directly secured by the assets of the portfolio company. In the event of a default, those collateralized lenders would have priority over us with respect to the proceeds of a sale of the underlying assets. In cases described above, we may lack control over the underlying asset collateralizing our loan or the underlying assets of the portfolio company prior to a default, and as a result the value of the collateral may be reduced by acts or omissions by owners or managers of the assets.

In the event of bankruptcy of a portfolio company, we may not have full recourse to its assets in order to satisfy our loan, or our loan may be subject to equitable subordination. In addition, certain of our loans are subordinate to other debt of the portfolio company. If a portfolio company defaults on our loan or on debt senior to our loan, or in the event of a portfolio company bankruptcy, our loan will be satisfied only after the senior debt receives payment. Where debt senior to our loan exists, the presence of inter-creditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through “standstill” periods), and control decisions made in bankruptcy proceedings relating to the portfolio company. Bankruptcy and portfolio company litigation can significantly increase collection losses and the time needed for us to acquire the underlying collateral in the event of a default, during which time the collateral may decline in value, causing us to suffer further losses.

If the value of collateral underlying our loan declines or interest rates increase during the term of our loan, a portfolio company may not be able to obtain the necessary funds to repay our loan at maturity through refinancing. Decreasing collateral value and/or increasing interest rates may hinder a portfolio company’s ability to refinance our loan because the underlying collateral cannot satisfy the debt service coverage requirements necessary to obtain new financing. If a borrower is unable to repay our loan at maturity, we could suffer a loss which may adversely impact our financial performance.

**The business, financial condition and results of operations of our portfolio companies could be adversely affected by worldwide economic conditions, as well as political and economic conditions in the countries in which they conduct business.**

The business and operating results of our portfolio companies may be impacted by worldwide economic conditions. Although the U.S. economy has in recent years shown signs of recovery from the 2008–2009 global recession, the strength and duration of any economic recovery will be impacted by worldwide economic growth. For instance, concerns of economic slowdown in China and other emerging markets and signs of deteriorating sovereign debt conditions in Europe could lead to disruption and instability in the global financial markets. The significant debt in United States and European countries is expected to hinder growth in those countries for the foreseeable future. In the future, the U.S. government may not be able to meet its debt payments unless the federal debt ceiling is raised. If legislation increasing the debt ceiling is not enacted, as needed, and the debt ceiling is reached, the U.S. federal government may stop or delay making payments on its obligations, which could negatively impact the U.S. economy and our portfolio companies. Multiple factors relating to the international operations of some of our portfolio companies and to particular countries in which they operate could negatively impact their business, financial condition and results of operations.

Some of the products of our portfolio companies are developed, manufactured, assembled,

tested or marketed outside the United States. Any conflict or uncertainty in these countries, including due to natural disasters, public health concerns (such as the recent coronavirus outbreak), political unrest or safety concerns, could harm their business, financial condition and results of operations. In addition, if the government of any country in which their products are developed, manufactured or sold sets technical or regulatory standards for products developed or manufactured in or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards and disrupt cross-border manufacturing, marketing or business relationships which, in each case, could harm their businesses.

**Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.**

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as “follow-on” investments, in order to: (i) increase or maintain in whole or in part our ownership percentage; (ii) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or (iii) attempt to preserve or enhance the value of our investment. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. We will have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, either because we prefer other opportunities or because we are subject to BDC requirements that would prevent such follow-on investments or the desire to maintain the RIC tax status of our BDC clients.

**Where we do not hold controlling equity interests in our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.**

Although we hold controlling equity positions in some of our portfolio companies, we do not currently hold controlling equity positions in the majority of our portfolio companies. As a result, we are subject to the risk that a portfolio company in which we do not have a controlling interest may make business decisions with which we disagree, and that the management and/or stockholders of such portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity of the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and may therefore suffer a decrease in the value of our investments.

**Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.**

We are subject to the risk that the investments we make in our portfolio companies may be prepaid prior to maturity. When this occurs, we may reduce our borrowings outstanding or reinvest these proceeds in temporary investments, pending their future investment in new

portfolio companies. These temporary investments, if any, will typically have substantially lower yields than the debt investment being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt investment that was prepaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

**We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.**

We structure the debt investments in our portfolio companies to include business and financial covenants placing affirmative and negative obligations on the operation of the company's business and its financial condition. However, from time to time we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of our receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay distributions, could adversely affect our results of operation and financial condition and cause the loss of all or part of your investment.

**Our loans could be subject to equitable subordination by a court, which would increase our risk of loss with respect to such loans.**

Courts may apply the doctrine of equitable subordination to subordinate the claim or lien of a lender against a borrower to claims or liens of other creditors of the borrower, when the lender or its affiliates is found to have engaged in unfair, inequitable or fraudulent conduct. The courts have also applied the doctrine of equitable subordination when a lender or its affiliates is found to have exerted inappropriate control over a client, including control resulting from the ownership of equity interests in a client. We have made direct equity investments or received warrants in connection with loans. Payments on one or more of our loans, particularly a loan to a client in which we may also hold an equity interest, may be subject to claims of equitable subordination. If we were deemed to have the ability to control or otherwise exercise influence over the business and affairs of one or more of our portfolio companies resulting in economic hardship to other creditors of that company, this control or influence may constitute grounds for equitable subordination and a court may treat one or more of our loans as if it were unsecured or common equity in the portfolio company. In that case, if the portfolio company were to liquidate, we would be entitled to repayment of our loan on a pro-rata basis with other unsecured debt or, if the effect of subordination was to place us at the level of common equity, then on an equal basis with other holders of the portfolio company's common equity only after all of its obligations relating to its debt and preferred securities had been satisfied.

**An investment strategy focused primarily on privately held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a**

**greater vulnerability to economic downturns.**

We invest primarily in privately held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of SLR's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, smaller privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. These factors could adversely affect our investment returns as compared to companies investing primarily in the securities of public companies.

**Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.**

We invest primarily in senior and stretch senior secured loans, and to a lesser extent second lien, unitranche and unsecured loans, preferred securities, and equity securities issued by our portfolio companies. Our portfolio companies typically have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. Any such limitations on the ability of our portfolio companies to make principal or interest payments to us, if at all, may reduce our net asset value and have a negative material adverse impact to our business, financial condition and results of operation.

**Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.**

Our investment strategy contemplates potential investments in debt securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of our investments will be U.S. dollar-denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may

affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk, or that if we do, such strategies will be effective.

**We may expose ourselves to risks if we engage in hedging transactions.**

If we engage in hedging transactions, we may expose Clients to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. It may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

The success of our hedging transactions will depend on our ability to correctly predict movements in currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations. To the extent we engage in hedging transactions, we also face the risk that counterparties to the derivative instruments we hold may default, which may expose us to unexpected losses from positions where we believed that our risk had been appropriately hedged.

**Our investment adviser may not be able to achieve the same or similar returns as those achieved by our senior investment professionals while they were employed at prior positions.**

Although in the past our senior investment professionals held senior positions at a number of investment firms, their track record and achievements are not necessarily indicative of future results that will be achieved by our investment adviser. In their roles at such other firms, our senior investment professionals were part of investment teams, and they were not solely responsible for generating investment ideas. In addition, such investment teams arrived at investment decisions by consensus.

**We are highly dependent on information systems and systems failures could have a material adverse effect on our business, financial condition and results of operations.**

Our business depends on the communications and information systems, including financial and accounting systems, of SLR. Any failure or interruption of such systems could cause delays or other problems in our activities. This, in turn, could have a material adverse effect on our business.

**We are subject to risks associated with cybersecurity and cyber incidents.**

Our 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 our information resources (i.e., cyber incidents). These attacks could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption and result in disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships, any of which could have a material adverse effect on our business, financial condition and results of operations. As our reliance on technology has increased, so have the risks posed to our information systems.

In addition, cybersecurity has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our businesses, liability to investors, regulatory intervention or reputational damage.

**Events outside of our control, including public health crises, could negatively affect our portfolio companies and our results of our operations.**

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events have adversely affected and could continue to adversely affect operating results for us and for our portfolio companies. For example, the COVID-19 pandemic has delivered a shock to the global economy. This outbreak has led and for an unknown period of time will continue to lead to disruptions in local, regional, national and global markets and economies affected thereby, including a recession and a steep increase in unemployment in the United States.

With respect to the U.S. credit markets (in particular for middle market loans), this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following among other things: (i) government imposition of various forms of shelter-in-place orders and the closing of “non-essential” businesses, resulting in significant disruption to the businesses of many middle-market loan borrowers including supply chains, demand and practical aspects of their operations, as well as in lay-offs of employees, and, while these effects are hoped to be temporary, some effects could be persistent or even permanent; (ii) increased draws by borrowers on revolving lines of credit; (iii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iv) volatility and

disruption of these markets including greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility, and liquidity issues; and (v) rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which will not necessarily adequately address the problems facing the loan market and middle market businesses.

While several countries, as well as certain states, counties and cities in the United States, have relaxed initial public health restrictions with the view to partially or fully reopening their economies, many cities have since experienced a surge in the reported number of cases, hospitalizations and deaths related to the COVID-19 pandemic. These surges have led to the re-introduction of such restrictions and business shutdowns in certain states in the United States and globally and could continue to lead to the re-introduction of such restrictions elsewhere. Health advisors warn that recurring COVID-19 outbreaks will continue if reopening is pursued too soon or in the wrong manner, which may lead to the re-introduction or continuation of certain public health restrictions (such as instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues). Additionally, as of late December 2020, travelers from the United States are not allowed to visit Canada, Australia or the majority of countries in Europe, Asia, Africa and South America. These continued travel restrictions may prolong the global economic downturn. In addition, although the Federal Food and Drug Administration authorized vaccines for emergency use starting in December 2020, it remains unclear how quickly the vaccines will be distributed nationwide and globally or when “herd immunity” will be achieved and the restrictions that were imposed to slow the spread of the virus will be lifted entirely. The delay in distributing the vaccines could lead people to continue to self-isolate and not participate in the economy at pre-pandemic levels for a prolonged period of time. Even after the COVID-19 pandemic subsides, the U.S. economy and most other major global economies may continue to experience a recession, and we anticipate our business and operations could be materially adversely affected by a prolonged recession in the United States and other major markets.

This outbreak is having, and any future outbreaks could have, an adverse impact on the markets and the economy in general, which could have a material adverse impact on, among other things, the ability of lenders to originate loans, the volume and type of loans originated, and the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount and quality of loans available for investment by us and returns to us, among other things. As of the date of this annual report on Form 10-K, it is impossible to determine the scope of this outbreak, or any future outbreaks, how long any such outbreak, market disruption or uncertainties may last, the effect any governmental actions will have or the full potential impact on us and our portfolio companies. Any potential impact to our results of operations will depend to a large extent on future developments and new information that could emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to contain COVID-19 or treat its impact, all of which are beyond our control. These potential impacts, while uncertain, could adversely affect our and our portfolio companies’ operating results.

If the economy is unable to substantially reopen, and high levels of unemployment continue for an extended period of time, loan delinquencies, loan non-accruals, problem assets, and bankruptcies may increase. In addition, collateral for our loans may decline in value, which could cause loan losses to increase and the net worth and liquidity of loan guarantors could decline,

impairing their ability to honor commitments to us. An increase in loan delinquencies and non-accruals or a decrease in loan collateral and guarantor net worth could result in increased costs and reduced income which would have a material adverse effect on our business, financial condition or results of operations. Additionally, oil prices collapsed to an 18-year low on supply glut concerns, as shutdowns across the global economy sharply reduced oil demand while Saudi Arabia and Russia engaged in a price war. Central banks and governments have responded with liquidity injections to ease the strain on financial systems and stimulus measures to buffer the shock to businesses and consumers. These measures have helped stabilize certain portions of the financial markets over the short term, but volatility will likely remain elevated until the health crisis itself is under control (via fewer new cases, lower infection rates and/or verified treatments). There are still many unknowns and new information is incoming daily, compounding the difficulty of modeling outcomes for epidemiologists and economists alike.

We cannot be certain as to the duration or magnitude of the economic impact of the COVID-19 pandemic in the markets in which we and our portfolio companies operate, including with respect to travel restrictions, business closures, mitigation efforts (whether voluntary, suggested, or mandated by law) and corresponding declines in economic activity that may negatively impact the U.S. economy and the markets for the various types of goods and services provided by U.S. middle market companies. Depending on the duration, magnitude and severity of these conditions and their related economic and market impacts, certain portfolio companies may suffer declines in earnings and could experience financial distress, which could cause them to default on their financial obligations to us and their other lenders.

We will also be negatively affected if our operations and effectiveness or the operations and effectiveness of a portfolio company (or any of the key personnel or service providers of the foregoing) is compromised or if necessary or beneficial systems and processes are disrupted.

Any public health emergency, including the COVID-19 pandemic or any outbreak of other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on us and the fair value of our investments. Our valuations, and particularly valuations of private investments and private companies, are inherently uncertain, may fluctuate over short periods of time and are often based on estimates, comparisons and qualitative evaluations of private information that may not show the complete impact of the COVID-19 pandemic and the resulting measures taken in response thereto. These potential impacts, while uncertain, could adversely affect our and our portfolio companies' operating results.

#### **Item 9: Disciplinary Information**

There have been no material legal or disciplinary events to be disclosed.

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

Our Clients are SLR Investment Corp. (formerly known as Solar Capital Ltd.), SLR Senior Investment Corp. (formerly known as Solar Senior Capital Ltd.), and SCP Private Credit Income BDC LLC which are BDCs, two SMA(s) and four private funds. Mr. Gross is the Co-Chief Executive Officer and Chairman of the Boards of Directors of the BDCs and an Authorized Person for the SMAs. Mr. Spohler is the Co-Chief Executive Officer, Chief Operating Officer and Director of the BDCs and an authorized person for the SMAs. SLR Capital Partners, LLC



controls the general partners or managing members of the private funds.

Since we and several of our Clients are under common management, there is a conflict of interest because we could direct our discretionary Clients to follow our investment advice in a way which would generate fees, or higher fees, for us but which might not be in the Client's best interests. We address this conflict by implementing a number of controls. Item 12 below further describes the factors we consider in trade allocation.

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

**Participation or Interest in Client Transactions:** We have adopted a Joint Code of Ethics that governs all "Access Persons" of SLR (the "Joint Code"). The purpose of the Joint Code is to establish standards and procedures for the detection and prevention of activities by which persons having knowledge of the investments and investment intentions of the Client may not abuse their fiduciary duty to our Clients, and otherwise to deal with the types of conflict of interest situations addressed by Rule 17j-1 under the

1940 Act and Rule 204A-1 of the Investment Advisers Act of 1940.

The Joint Code is based on the principle that our managers, officers and employees who provide services to a Client owe a fiduciary duty to the Client to conduct their personal securities transactions in a manner that does not interfere with the Client's transactions or otherwise take unfair advantage of their relationship with the Client. All directors, managers, partners, officers, and employees of SLR Capital Partners, LLC and SLR Capital Management, LLC (formerly known as Solar Capital Management LLC) ("Covered Personnel" or "Access Persons") are expected to adhere to this general principle and to comply with all of the specific provisions of the Joint Code that are applicable to them.

Covered Personnel may not engage in any investment transaction which will interfere with the purchase or sale of investments by the Client or benefit the Covered Personnel to the detriment of the Client. Furthermore, Covered Personnel may not use information concerning the investments or investment intentions of the Client, or their ability to influence such investment intentions, for personal gain or in a manner detrimental to the interests of the Client. Covered Personnel may not engage in conduct that is deceitful, fraudulent or manipulative, or that involves false or misleading statements, in connection with the purchase or sale of investments by the Client.

**Prohibited Transactions:** No Supervised Person or Immediate Family may trade in "Securities" on the "Restricted List," whether for his own account or for the account of a Client. "Security" and "Restricted List" are defined in the Joint Code. The Restricted List is updated as needed and made available to all Access Persons on the internal computer network, and quarterly trading activity is provided by Access Persons and checked by the Chief Compliance Officer.

**Reports by Access Persons:** All Access Persons are required quarterly to report securities transactions and annually to disclose securities holdings to the Chief Compliance Officer for all Securities in which they have a beneficial ownership interest.

**Additional Prohibitions:** All information concerning the securities being considered for

purchase or sale by the Client shall be kept confidential by all Covered Personnel and disclosed by them only on a “need to know” basis. It is the responsibility of the Chief Compliance Officer to report any inadequacy found in this regard to the directors of the Client.

**Annual Certification:** Access Persons of SLR Capital Partners, LLC must certify annually that they have read the Joint Code, that they understand it, and that they recognize that they are subject to it, and that they have complied with its requirements.

At least annually, we must furnish our Clients’ board of directors or general partner written report that: (A) describes any issues arising under the Joint Code or procedures since the last report to the board, including, but not limited to, information about material violations of the Joint Code or procedures and sanctions imposed in response to such violations; and (B) certifies that we have adopted procedures reasonably necessary to prevent Access Persons from violating the Joint Code.

A copy of our Joint Code will be provided upon request to any Client, prospective client, investor or prospective investor in any fund that we manage or advise.

## **Item 12: Brokerage and Allocation Practices**

Since we will generally acquire and dispose of our investments in privately negotiated transactions, we generally do not use brokers in the normal course of our business. Subject to policies established by their board of directors, we will be primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions, if any. We do not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for Client’s, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm’s risk and skill in positioning blocks of securities. While we generally will seek reasonably competitive trade execution costs, SLR will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, we may select a broker based partly upon brokerage or research services provided to the investment adviser and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if the investment adviser determines in good faith that such commission is reasonable in relation to the services provided. Such practice is known as “**soft dollar arrangements.**” While we have authority to enter into soft dollar arrangements, we have not done so to date.

We do not receive Client referrals from broker-dealers or third parties.

We do not recommend, request or require Client direction regarding broker-dealers.

SLR serves as investment adviser to several Clients. We and our principals and affiliates act in a variety of discretionary capacities, including investment adviser, general partner, or investment manager, for other Clients. SLR is a fiduciary to each Client, owes a duty of loyalty to each Client and must treat each Client fairly and equitably over time. The following are the core principles governing our trading activities and the allocation of potential investment opportunities to Clients.

As a general matter, we provide individual advice and treatment to each Client based on the

Client's investment objectives, restrictions, risk profile and other relevant characteristics. From time to time we become aware of investment opportunities which are appropriate for multiple Clients or groups of Clients. Moreover, because our Clients may have similar or overlapping investment objectives, restrictions, risk profiles and other characteristics, an investment may be held in or considered for multiple Clients contemporaneously. For this reason, we will frequently be in the position of seeking to acquire or sell the same securities for more than one Client (or group of Clients) at the same time while, at other times, we may determine that a particular opportunity is appropriate for only a sub-set of the Clients initially considered (or that the opportunity is more appropriate for such Clients than others) based on the factors described below.

The purpose of our Investment Allocation Policy ("Policy") is to ensure that investment opportunities are allocated fairly and equitably among our Clients over time. The Policy also seeks to achieve reasonable efficiency and provides the flexibility to allocate investments among Clients in a manner that is consistent with the particular investment strategy and Client base. SLR's employees who are responsible for allocating investment opportunities among Client accounts must ensure that allocations comply with the requirements of the Policy, applicable law, regulations and any exemptive relief, and the terms of each relevant Client agreement.

The following principles and procedures have been compiled to ensure that each Client is, at all times, treated fairly in respect of the allocation of investment opportunities.

#### **A. General Principles**

SLR seeks to allocate investment opportunities among Clients fairly and equitably over time. When making investment allocation decisions, we may consider a variety of factors, among others, on a relative, or absolute basis and may, as discussed below, establish ratios, formulas or similar metrics to assist in making allocation decisions when the opportunity being considered may be appropriate for two or more Clients utilizing a similar investment strategy. The factors we consider when determining investment allocations include, but are not limited to:

- investment objectives or strategies for particular accounts;
- tax considerations of an account;
- risk, diversification or investment concentration parameters for a Client (including fixed or floating rate requirements, industry categories and credit rating requirements);
- supply or demand for a security at a given price level;
- size of available investment;
- available liquidity (including through borrowings or sales of liquid assets) and liquidity requirements for accounts;
- regulatory or Client-imposed restrictions;
- minimum investment size for a Client;
- relative total assets; and
- such other factors as may be relevant to a particular transaction.

However, we will not make investment allocation decisions based on any of the following considerations:

- to unduly favor one Client at the expense of another, including any proprietary or personal accounts of SLR or its employees, over time;
- to generate higher fees paid by one Client over another or to produce greater performance compensation to SLR;
- to develop or enhance a relationship with a Client or prospective Client;
- to compensate a Client for past services or benefits rendered to us or to induce future services or benefits to be rendered to us; and
- to manage or equalize investment performance among different Clients.

## **B. Allocation Procedures**

Where SLR has investment discretion, all allocations will be subject, where relevant, to compliance constraints or other factors identified under "Section A. General Principles" above and by the conditions of SLR's exemptive relief permitting certain joint transactions, otherwise prohibited by Sections 17(d), 57(a)(4) and 57(i) and Rule 17d-1, which is currently in effect.

Each time SLR considers a potential allocation for multiple clients within their current objectives and strategies, SLR will make an independent determination of the appropriateness of the investment for the Client in light of the Client's current circumstances.

If SLR deems a Client's participation in any transaction to be appropriate for the Client, the Adviser will then determine an appropriate level of investment for Client.

If the aggregate amount of securities available in an investment opportunity is less than the amount proposed to be invested by all of our Clients, each Client will be allocated a pro rata share of the investment opportunity based on the amount of each Client's capital available for investment in the asset class being allocated, up to the amount proposed to be invested by each. All Clients participating in the same investment opportunity will participate on the same terms, conditions, price, class of securities to be purchased, settlement date and registration rights, unless otherwise directed by the Client.

If we, on behalf of a Client, desire to make a "follow-on investment" (i.e., an additional investment in an issuer) in the securities, or to exercise warrants or other rights, of an issuer whose securities were previously acquired and allocated in accordance with the Policy, we will allocate all follow-on investments in the same manner as it would allocate a new investment opportunity, except as otherwise instructed by the Client.

If we, on behalf of a Client, desire to sell, exchange, or otherwise dispose of an interest in a security of an issuer that was previously acquired and allocated in accordance with the Policy, we will determine whether the interest in the security should be disposed of by all Clients that hold such interest. If we determine that more than one Client should dispose of the interest, each Client will participate in the disposition on a proportionate basis, based on the amount of the interest available for sale by each Client and the total amount to be sold by all Clients, at the same price and on the same terms and conditions, except as otherwise instructed by the Client.

## **C. Subject to Client Approval**

The above requirements are subject to further or overriding instructions from a Client, as specified in the applicable agreement between SLR and the Client. As such, a Client may

determine not to participate in an investment opportunity identified by us for which the Client would otherwise be eligible. In the event that a Client opts not to participate in an investment opportunity, other Clients shall not be restricted from participating in such opportunity. If a Client does not participate in an initial investment opportunity, we are not required to include such Client in future follow-on investments in such issuer as specified in the Policy.

#### **D. Compliance with Exemptive Relief**

To maximize the ability of the Clients to co-invest with each other, SLR has obtained exemptive relief from the SEC, which imposes certain requirements on the allocation of investment opportunities among affiliates of the BDCs, as described in Rule 17d-1 under the 1940 Act, and the BDCs. SLR and the Clients will comply with all conditions or requirements, including those related to the allocation of investment opportunities, our allocation procedures will be interpreted in light of these conditions.

#### **Item 13: Review of Accounts**

We manage our Clients' accounts on a daily basis. In addition, each Client's account is reviewed on an ongoing basis (at least quarterly) to assess performance. The purpose of the review is to ensure that our investment policies are reflected in the management of the account. The reviewers are Michael Gross and Bruce Spohler, investment committee members. We discuss performance with the members of the Board of Directors of the BDCs at least quarterly.

As a general policy, we provide the SMA(s) and private fund investors with a statement at least quarterly which includes information regarding the client's net asset value and a summary of its investments, if required.

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

We do not accept economic benefits of any kind from any parties other than our Clients. From time to time, we may retain and pay third parties whom we do not supervise to generate new Client referrals.

#### **Item 15: Custody**

We are deemed not to have custody of the BDC's funds or securities in which we manage. Such funds or securities are held pursuant to a custody agreement with a qualified custodian in accordance with the 1940 Act. We utilize Citibank N.A. as our independent qualified custodian for the BDCs.

The general partner or managing member of the private funds are related persons of SLR and are deemed to have custody of such Client funds or securities. In addition, and in most cases, SLR is deemed to have custody of its SMA Clients' funds or securities.

SLR or its related persons are deemed to have custody of such Client assets due to their authority to direct investment, pay expenses and make disbursements generally for each of the private

funds and SMA(s). Having the authority to effect investment related activities such as a purchase or sale, or transfer an investment, etc., even obtain possession of investments to re-register them, are activities that are deemed to evidence having custody of such funds or securities.

It should be noted that each private fund and SMA has their own separate bank accounts that actually have the physical custody of each Client's funds or securities and such bank accounts are covered in the scope of the audits of each private fund and SMA by an independent public accountant.

#### **Item 16: Investment Discretion**

We have discretion to use Client funds to make investment decisions with respect to the assets in our BDC and private funds. We do not have discretion over decisions with respect to the assets in our SMA(s).

Decisions regarding the purchase and sale of securities on behalf of our Clients are deliberated by our investment committee. We have the authority to purchase or sell securities subject to the investment policies and restrictions described in the BDC's registration statement and the private funds private placement memorandum. We receive pre-approval for investments for the SMA(s).

As of December 31, 2020, our regulatory assets under management ("AUM") were approximately \$5.1 billion of which \$4.8 billion is discretionary and \$0.3 billion is non-discretionary.

From time to time, we may cause our Clients to pay a broker-dealer who furnishes brokerage and/or research services a commission that is in excess of the commission another broker-dealer would have received for executing the transaction if it is determined that such commission is reasonable in relation to the value of the brokerage and/or research services which have been provided to SLR as a whole. We believe that all such services qualify as bona fide research and trading services in compliance with Section 28(e) of the Securities Act of 1934.

#### **Item 17: Voting Client Securities**

A summary of the Proxy Voting Policies and Procedures of our adviser are set forth below. The guidelines are reviewed periodically by the adviser (and our non-interested directors of the BDCs as applicable) and, accordingly, are subject to change.

As an investment adviser registered under the Investment Advisers Act of 1940, SLR Capital Partners has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, it recognizes that it must vote securities held by its clients in a timely manner free of conflicts of interest. These policies and procedures for voting proxies for investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

To the limited extent we vote proxies relating to our portfolio securities, we do so in the best interest of our Clients. SLR Capital Partners reviews on a case-by-case basis each proposal submitted for a proxy vote to determine its impact on our investments. Although it generally votes against proposals that may have a negative impact on our investments, it may vote for

such a proposal if there exists compelling long-term reasons to do so. The proxy voting decisions of our investment adviser are made by the senior investment professionals who are responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, it requires that: (i) anyone involved in the decision making process disclose to a managing member of SLR Capital Partners any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

You may obtain information about how we voted proxies, if any, by making a written request for proxy voting information to: SLR Capital Partners, LLC, 500 Park Avenue, New York, NY 10022

#### **Item 18: Financial Information**

Our fees are typically assessed and collected in arrears.

There are no financial conditions reasonably likely to impair our ability to meet our contractual commitments to our Clients.