

**ITEM 1  
COVER PAGE**

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



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This brochure provides information about the qualifications and business practices of MC Credit Partners LP (“MCCP”, the “Manager”, “we”, “us”, or “our”). If you have any questions about the contents of this brochure, please contact us at 203-989-9700 or [contact@mccp.com](mailto:contact@mccp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about MCCP as well as a copy of this brochure is available on the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

MCCP is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC as an investment adviser does not imply that MCCP or any principals or employees of MCCP possess a particular level of skill or training in the investment advisory or any other business.

Pursuant to the requirements and rules of the SEC, we will ensure that you receive a summary of any material changes to this brochure and subsequent brochures within 120 days of the close of our fiscal year. Our brochure may be requested, free of charge, by contacting us at 203-989-9700 or [contact@mccp.com](mailto:contact@mccp.com).

## **ITEM 2 MATERIAL CHANGES**

None

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### **IMPORTANT NOTE ABOUT THIS BROCHURE**

This Brochure is not:

- an offer or agreement to provide advisory services to any person
- an offer to sell interests (or a solicitation of an offer to purchase interests) in the MC Fund (as defined in Item 4, below)
- a complete discussion of the features, risks or conflicts associated with the MC Fund or advisory service
- to be relied on in determining whether to invest

As required by the Advisers Act, MCCP provides this Brochure to current and prospective clients and will provide this Brochure to current or prospective investors in the MC Fund, together with other relevant Governing Documents (as defined in Item 5, below), such as subscription agreements, offering memoranda and investment management agreements, prior to, or in connection with, such persons' establishment or consideration of an investment advisory relationship with MCCP or an investment in the MC Fund.

Although this publicly available Brochure describes investment advisory services and products of MCCP, persons who receive this Brochure (whether or not from MCCP) should be aware that it is designed solely to provide information about MCCP as necessary to respond to certain disclosure obligations under the Advisers Act. More complete information about the MC Fund, as well as MCCP's investment advisory services, is included in relevant Governing Documents, certain of which may be provided to current and eligible prospective clients or investors of the MC Fund only by MCCP or persons authorized by MCCP to deliver such information on its behalf.

Terms used herein and defined herein shall be equally applicable to both the singular and plural forms of the terms defined.

### ITEM 3

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## ITEM 4 ADVISORY BUSINESS

### A. General Description of Advisory Firm

MCCP is a Delaware limited partnership formed in 2013. MCCP currently provides investment advisory services to MC Credit Fund I LP (“Delaware Fund I”) and MC Credit Fund II LP (“Delaware Fund II” and together with Delaware Fund I, the “First Lien Delaware Funds”, and together with any entity formed to invest in parallel with the First Lien Delaware Funds and any other feeder funds or parallel vehicles and any alternative vehicles thereof, the “MC First Lien Fund”). The MC First Lien Fund provides primarily first lien senior secured debt to middle market companies. In addition to first lien senior secured debt, the MC First Lien Fund may also invest in second lien debt, unitranche debt, mezzanine debt, secondary market transactions, debtor-in-possession financings, and other secured or unsecured debt, and it may acquire and hold equity securities, options, warrants and similar equity securities and rights in connection with, or arising out of, lending or financing activities, each in cases in which MCCP believes it possesses a competitive advantage or valuable insights in the company or transaction (each a “First Lien Portfolio Investment”, and collectively, the “First Lien Portfolio Investments”).

MCCP currently also provides investment advisory services to MC Credit Fund III (Delaware) LP (“Delaware Fund III”) and its parallel funds, MC Credit Fund III-U (Delaware) LP (“Delaware Fund III-U”) and MC Credit Fund III (Cayman) LP (“Cayman Fund III” and together with Delaware Fund III and Delaware Fund III-U, the “MC III Funds”, and together with any entity formed to invest in parallel with the MC III Funds and any other feeder funds or parallel vehicles and any alternative vehicles thereof, the “MC III Fund”), MC Credit Fund N (Cayman) LP (“Cayman Fund N”), MC Credit Fund N (Delaware) LP (“Delaware Fund N”, and together with Cayman Fund N and any feeder funds or parallel vehicles and any alternative vehicles thereof, the “MC N Fund”), MC Credit SM LP (“Fund SM” and together with any other feeder funds or parallel vehicles and any alternative vehicles thereof, the “MC SM Fund”), and Hygieia One Credit Fund (Delaware) LP (“Hygieia”, and together with the MC First Lien Fund, the MC III Fund and the MC N Fund, the MC SM Fund and any other collective vehicles or managed accounts, the “MC Fund” and our “Clients”). Delaware Fund III-U is subject to certain restrictions on its ability to incur leverage. The MC III Fund, the MC N Fund, the MC SM Fund and Hygieia will invest (directly or indirectly) primarily in first and second lien senior secured debt of middle market companies, and will also invest in secondary market transactions in loans, equity of companies in which it makes a debt investment and securities issued by vehicles managed by MCCP (each a “MC III Portfolio Investment”, and collectively, the “MC III Portfolio Investments”, and together with the “First Lien Portfolio Investments”, each a Portfolio Investment and collectively, the “Portfolio Investments”).

One or more of the MC Fund may hold “plan assets” of plan investors subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or Section 4975 of the Code where MCCP will act as a fiduciary with respect thereto.

The MC Fund will primarily target companies with \$10 million or more of annual EBITDA that are in need of creative and total capital solutions (including committed acquisition lines and follow-on financings) ranging from \$40 to \$250 million or more.

We provide investment management, advisory and certain administrative services, and other related services (collectively, the “investment advisory services”) typically pursuant to an investment management agreement or other document that describes the terms of the engagement (each, an “IMA”).

The principal owners of MCCP are Kendall MCP, LLC and Ashok Nayyar, who own their respective interests in the MCCP through one or more entities.

B. Description of Advisory Services

In addition to assisting with day-to-day operations and, as more fully described in Item 8, “Methods of Analysis, Investment Strategies and Risk of Loss” below, the investment advisory services we provide to Clients include:

- (i) analyzing and investigating potential portfolio companies and potential dispositions of Portfolio Investments;
- (ii) originating, structuring, documenting, managing and disposing of Portfolio Investments; and
- (iii) monitoring the performance of portfolio companies.

We specialize in investment advisory services related to investments primarily in first lien and second lien senior secured debt to middle market companies (as described below). We may also provide investment advisory services related to investments in unitranche debt, mezzanine debt, secondary market transactions, debtor-in-possession financings, and other secured or unsecured debt, and equity securities, options, warrants and similar equity securities and rights in connection with, or arising out of, lending or financing activities, in each case to or in middle market companies. We use the term “middle-market” to refer to companies with annual revenues between \$10 million and \$1 billion, EBITDA between \$10 million and \$100 million and enterprise values ranging from \$75 million to \$750 million.

C. Wrap Fee Programs

We do not participate in any wrap fee programs.

D. Assets Under Management

As of December 31, 2020, we had \$1,731,326,068 in regulatory assets under management on a discretionary basis.

## ITEM 5 FEES AND COMPENSATION

### A. Compensation

As noted above, a written IMA governs the terms of compensation and the manner in which we charge fees to each of our Clients. As an SEC-registered adviser who will deliver this brochure only to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “1940 Act”), we are not required to disclose information detailing our compensation or fee schedule.

### B. Management Fee

Clients are billed for management fees partially in advance and partially in arrears on a semi-annual basis, typically on the first business day of the fourth month in each semi-annual period. MCCP is authorized under the Clients’ Governing Documents to charge and deduct management fees directly from the assets of the applicable Client, at the times and in the amounts set forth in the Governing Documents. The management fee is charged on either capital commitments or invested capital during the investment period and on assets under management after the investment period. The management fee will be offset by certain net fees received by the Manager or its affiliates.

### C. Other Fees and Expenses

In addition to the fees described above, Clients bear certain organizational expenses associated with the operation and organization of the MC Fund in which they are invested. Organizational expenses include all out-of-pocket costs and expenses up to an agreed cap incurred in connection with the organization of the applicable MC Fund, the general partner of such MC Fund (the “General Partner”) and any other entity pertaining to the foregoing, and the offering of interests in the MC Fund, including, without limitation, legal and accounting fees and expenses, printing costs, travel expenses, filing fees and other administrative costs, and placement fees. Operating expenses include, without limitation:

- (i) costs and expenses incurred in investigating, developing, negotiating, structuring, monitoring and holding Portfolio Investments (whether or not consummated), including travel, legal, tax and accounting expenses therewith;
- (ii) administration fees and expenses, custodial expenses and other investment costs incurred in connection with Portfolio Investments;
- (iii) routine administrative expenses of the MC Fund (including costs and expenses of a third-party administrator of the MC Fund);
- (iv) costs of all borrowings made by the MC Fund;
- (v) costs of any investigation, administrative proceeding or regulatory matter, litigation and threatened litigation involving the MC Fund;

- (vi) premiums for liability insurance;
- (vii) indemnification obligations and expenses;
- (viii) market data costs and research-related expenses, including, without limitation, news and quotation equipment;
- (ix) certain expenses related to regulatory filings;
- (x) costs and expenses for tax and audit services to the MC Fund; and
- (xi) costs of dissolving the MC Fund or a Client's investment vehicle and liquidating its assets.

Please refer to the applicable Governing Documents for complete information on the expenses payable by Clients.

D. Advance Billing

MCCP is authorized under the applicable confidential private placement memorandum, limited partnership agreement, investment management agreement and other governing documents for each Client (the "Governing Documents") to charge and deduct advisory fees directly from the assets of the Client, at the times and in the amounts set forth in the Governing Documents.

Clients may have the right to terminate the advisory or investment management agreements in accordance with the terms of such agreements. MCCP's general policy is to repay advisory fees paid in advance in excess of the *pro rata* portion earned (based on the number of days during the period) through the termination date.

E. Sales-based Compensation

Not applicable.

**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We or our affiliates receive performance-based compensation from our Clients based on a share of cumulative profits. The terms and conditions of these fee arrangements may be subject to individualized negotiations with certain Clients, and are structured in accordance with Section 205(a)(1) of the Advisers Act, which permits performance-based fee arrangements with “qualified clients.” As stated in Item 5, “Fees and Compensation” above, we are not required to disclose information detailing our compensation or fee schedule.

Performance-based allocation arrangements between MCCP, its affiliates and their Clients may create incentives for MCCP to recommend investments that may be riskier or more speculative than those that would be recommended under different fee arrangements. Please refer to the Governing Documents of each Client for more complete information on the "performance-based compensation" arrangements of each Client.



## ITEM 7 TYPES OF CLIENTS

We provide investment advisory services to the MC Fund whose investors may include pension funds, insurance companies, endowments, trusts, family offices, foundations, individuals, investment companies, unregistered pooled investment vehicles and other institutions.

The minimum commitment to the MC Fund is \$5 million, subject to the discretion of the general partner of such MC Fund to accept lesser amounts; however, in no case shall a commitment be less than \$100,000.

Interests will be offered in the United States to persons that are qualified purchasers as defined in Section 2(a)(51) of the 1940 Act (each, a “Qualified Purchaser”). In addition, the General Partner of the MC Fund will require each prospective investor in the MC Fund to make certain representations regarding its qualifications for investment in the MC Fund, including its status under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and the Internal Revenue Code of 1986, as amended (the “Code”).

Interests will be offered outside the United States to persons that are “U.S. Persons” as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”), purchasing for their own account or one or more accounts with respect to which they exercise sole investment discretion, in either case which is not a U.S. Person, in offshore transactions in reliance on Section 4(a)(2) of the Securities Act, and Regulation D and Regulation S of the Securities Act, and, in each case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

Investors in the MC Fund will be required to meet such additional suitability standards as MCCP or the general partner of such MC Fund determines are appropriate, in their sole discretion. MCCP or the general partner of such MC Fund reserves the right to decline to accept a potential investor in the MC Fund’s subscription for interests, in their sole discretion.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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

The MC First Lien Fund provides primarily first lien senior secured debt to middle market companies. In addition to first lien senior secured debt, the MC First Lien Fund may also invest in second lien debt, unitranche debt, mezzanine debt, secondary market transactions, debtor-in-possession financings, and other secured or unsecured debt, and it may acquire and hold equity securities, options, warrants and similar equity securities and rights in connection with, or arising out of, lending or financing activities each in cases in which MCCP believes it possesses a competitive advantage or valuable insights in the company or transaction.

The MC III Fund, the MC N Fund, the MC SM Fund and Hygieia complement the investment strategy of the MC First Lien Fund and provide primarily first and second lien senior secured debt. The MC III Fund, the MC N Fund, the MC SM Fund and Hygieia will also invest in secondary market transactions in loans, equity of companies in which it makes a debt investment and securities issued by vehicles managed by MCCP, and invest in a mixture of sponsored and non-sponsored transactions.

The MC Fund will primarily target companies with \$10 million or more of annual EBITDA that are in need of creative and total capital solutions (including committed acquisition lines and follow-on financings) ranging from \$40 to \$250 million or more.

The investment philosophy that MCCP employs for the MC Fund is governed by detailed credit analysis based on both risk-adjusted return analysis and fundamental industry and company specific research together with appropriate portfolio diversification.

MCCP utilizes what it believes to be a proven credit review template to provide a thorough analysis of each investment opportunity with specific focus on the following key assessment criteria:

|                                |   |  |
|--------------------------------|---|--|
| <b>Issuer Characteristics:</b> | <ul style="list-style-type: none"> <li>▪ Revenue growth drivers</li> <li>▪ Revenue visibility</li> <li>▪ Customer and supplier concentrations</li> <li>▪ Historical revenue and margin trends</li> <li>▪ Fixed versus variable costs</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Free cash flow drivers</li> <li>▪ Company versus industry performance</li> <li>▪ Sensitivity focused on downside scenario analysis</li> </ul>                                 |
| <b>Industry Overview:</b>      | <ul style="list-style-type: none"> <li>▪ Borrower exposure to economic environment and industry cycles</li> <li>▪ Industry size and growth rates</li> <li>▪ Barriers to entry and potential entrants</li> <li>▪ Competitive landscape</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Product position</li> <li>▪ Technological, regulatory and similar threats</li> <li>▪ Pricing power</li> <li>▪ Cost considerations</li> <li>▪ Comparable valuations</li> </ul> |
| <b>Management/Owner:</b>       | <ul style="list-style-type: none"> <li>▪ Quality of reputation</li> <li>▪ Breadth and depth of management</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Track record</li> <li>▪ Equity incentives and motivation</li> </ul>   |
| <b>Financial Ratios:</b>       | <ul style="list-style-type: none"> <li>▪ Understanding of relevant financial ratios</li> <li>▪ Leverage and fixed charge coverage ratios</li> <li>▪ Impact on ratios in various future performance scenarios</li> <li>▪ Comparison of ratios to industry comparables</li> </ul>   |  |
| <b>Structure:</b>              | <ul style="list-style-type: none"> <li>▪ Diverse considerations regarding leverage (including seniority and leverage multiples)</li> <li>▪ Ability to service debt</li> <li>▪ Collateral and security protections</li> <li>▪ Covenants and guarantees</li> <li>▪ Equity investment amounts and participants (where applicable)</li> </ul> |  |
| <b>Valuation:</b>              | <ul style="list-style-type: none"> <li>▪ Asset coverage</li> <li>▪ Verification of reasonable enterprise value assumptions</li> </ul>   |  |
| <b>Relative Value:</b>         | <ul style="list-style-type: none"> <li>▪ Comparable company trading</li> <li>▪ Precedent transaction multiples</li> <li>▪ Risk return profile versus other investment opportunities and comparable securities</li> </ul>  |  |
| <b>Exit:</b>                   | <ul style="list-style-type: none"> <li>▪ Ability to sell the company, a division, or individual assets, including expected price and availability of viable purchasers</li> <li>▪ Prospects for refinancing, an initial public offering or merger</li> </ul>  |  |

MCCP takes what it believes to be a conservative, credit and structure driven approach to capital deployment that focuses on appropriate leverage, robust covenant packages (including financial and maintenance covenants), perfected security interests and director seats, board observation rights or access to board materials. MCCP believes that the combination of these and other elements (including appointment as administrative agent) will enable it to structure loans and other debt investments that both fit the cash flow profiles and specific needs of the borrower while satisfying the downside protection requirements for our Clients. Key areas of business, financial, structural and legal/accounting due diligence include:

| Business Diligence  | Financial Diligence                                    | Structural Diligence                               | Legal / Accounting Diligence  |
|---|--|--|---|
| Review lender presentations/Confidential Information Memorandum | Review/discuss company model                           | Capital structure analysis                         | Full review of new credit documents   |
| Company/site visits   | Prepare lender model with projections through maturity | Collateral analysis (ability to perfect/foreclose) | Analysis of constituent documents   |
| Meetings/discussions with management                            | Set base case/downside case                            | Organizational structure analysis                  | Analysis of existing documents  |
| Competitive/market analysis                                     | Leverage analysis/comparable credit analysis           | Amortization/repayment analysis                    | Analysis of contracts   |
| Cyclicity/seasonality analysis                                  | Free cash flow analysis                                |  | Analysis of insurance   |
| Management/owner background/reference checks                    | Debt service analysis                                  |  | Analysis of IP, ERISA, and environmental matters                                    |
| Customer/supplier calls   | Valuation analysis                                     |  | Full accounting diligence, including Quality of Earnings report (where appropriate) |

## B. Risk of Loss

Investing involves a risk of loss. While MCCP seeks to manage investments so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. MCCP does not offer any products or services that guarantee rates of return on investments for any period to any Client or investor. All Clients and investors in the MC Fund assume the risk that investment returns may be negative or below the rates of return of other investment advisers or products. Clients and investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses.

There are risks inherent in the investment strategy pursued by MCCP. Key risks of loss which apply to the principal investment strategy employed by MCCP are listed below. More detailed descriptions and explanations of the key risks of loss are included in relevant Governing Documents.

## C. Risks Involving the Nature of the Type of Investment Made by the MC Fund

*Below Investment-Grade and Unrated Debt Instruments.* The MC Fund expects that the vast majority of its Portfolio Investments, measured by cost basis, will be rated below investment-grade (or, if unrated, will be determined by the Manager to be of comparable quality). Such debt instruments are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. Therefore, the MC Fund's investments may result in an above average amount of risk and volatility or loss of principal. The prices of such debt instruments are generally more volatile and sensitive to actual or perceived negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. In addition, the secondary market on which such debt instruments are traded may be less liquid than the market for investment-grade securities, meaning such debt instruments are subject to greater liquidity risk than investment grade-securities.

Economic recessions or downturns could impair the MC Fund's portfolio companies and harm the MC Fund's results. Below investment-grade and unrated debt instruments may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment-grade securities. A projection of an economic downturn or of a period of rising interest rates, for example, could cause a decline in the prices of below investment-grade and unrated debt instruments, because the advent of a recession could lessen the ability of an issuer to make principal and interest payments on its debt obligations. In addition, such debt instruments have historically experienced greater default rates than investment grade securities. If an issuer of below investment-grade or unrated debt instruments defaults, in addition to risking non-payment of all or a portion of interest and principal, the MC Fund may incur additional expenses to seek recovery.

Additionally, the MC Fund may be required to accept cash or securities with a value less than the investment and may be prohibited from exercising certain rights with respect to such investment. Funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. The MC Fund's investments may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Analysis of the creditworthiness of issuers of below investment-grade and unrated debt instruments may be more complex than for issuers of higher-quality debt obligations. The MC Fund's success in achieving their investment strategies may therefore depend more heavily on the Manager's credit analysis than if the MC Fund invested primarily in higher-quality and rated securities. See "*Investments in Debt Obligations are Subject to Credit and Interest Rate Risks*" below.

*Risk of Borrower Default.* The Manager intends to monitor on an ongoing basis the creditworthiness of issuers of loans in which the MC Fund will invest. A portfolio company's failure to satisfy financial or operating covenants imposed by the Manager or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due. Foreclosure on a portfolio company's assets representing collateral for its obligations, which could trigger cross defaults under other agreements and result in prepayment of the loans or jeopardize a portfolio company's ability to meet its obligations under the debt that the MC Fund holds and the value of any equity securities it owns. The MC Fund may also incur substantial litigation and other expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

Additionally, if there is a default by the borrower under any of the MC Fund's loans, the Manager's exercising contractual rights pursuant to the loan agreement may involve delays or costs and any available collateral may prove to be unsalable or saleable only at a price less than the loan amount, which could result in a loss to the MC Fund. Furthermore, a default by the borrower under any of the MC Fund's loans may result in an applicable MC Fund being unable to liquidate such loans prior to the termination of such MC Fund; such loans may end up being restructured on terms that might result in such MC Fund being unable to liquidate such loans prior to the termination of such MC Fund. As a result, upon the termination of such MC Fund, the partners in such MC Fund may receive in-kind distributions in respect of such loans.

*Investment in Small Companies.* There is no limitation on the size or operating experience of the companies in which the MC Fund may invest. Some small companies in which the MC Fund may extend debt financing may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth. They may be unable to meet their obligations, which may be accompanied by deterioration in the value of any collateral and by a reduction in the likelihood of the MC Fund realizing any guarantees it may have obtained in connection with its investment. Companies with new products or services could sustain significant losses if projected markets do not materialize. Some small companies may have shorter operating histories, narrower product lines and smaller market shares than larger businesses in their industries. This may render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns, and entail a greater risk than debt financings provided to larger companies.

*Limited Information on Private Companies.* There may be little public information about the private companies in which the MC Fund may invest. These companies and their financial information may not be subject to the Securities Exchange Act of 1934 and other regulations that govern public companies, and MCCP, on behalf of the MC Fund, may be unable to uncover all material information about these companies. This inability may prevent it from making a fully informed investment decision, and may cause the MC Fund to lose money on its investments.

*Risks in Effecting Operating Improvements.* In some cases, the success of the MC Fund's investment strategy will depend, in part, on improvements in the structure and operations of a company. Identifying and implementing potential operating improvements at a company may entail a degree of uncertainty. Certain other factors (e.g., a company's reluctance or inability to effect layoffs or close or divest of unprofitable business lines) may impede or prevent the implementation of necessary restructuring steps for such companies. There can be no assurance that a company will identify and implement such improvements.

*Middle Market Loans.* Loans and interests in loans have significant liquidity and market value risks since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities. In addition, historically the trading volume in the loan market has been small relative to the high-yield debt securities market.

A non-investment grade loan obligation or an interest in a non-investment grade loan is generally considered speculative in nature and may become a defaulted obligation for a variety of reasons. A defaulted obligation may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted obligation. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted obligation. The liquidity for defaulted obligations may be limited, and to the extent that defaulted obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon.

Middle market loans are subject to the same risks associated with loans in general described

herein. However, middle market loans are generally made to small and mid-sized companies and are not broadly syndicated. As a result, middle market loans are significantly less liquid than larger broadly syndicated leveraged loans and the credit profile of the obligors of middle market loans may be subject to additional risk.

*Debtor-In-Possession Financing.* The MC Fund is permitted to provide debtor-in-possession financing (“DIP Financing”) to companies who have filed for protection under Chapter 11 of the U.S. Bankruptcy Code (such companies, a “DIP”). The security and seniority of any DIP Financing will be determined by a bankruptcy court. There is no assurance that the DIP Financing provided by the MC Fund will be secured by a senior lien on the property of the DIP (a so-called “priming” lien). If the MC Fund receives no liens to secure its DIP Financing, the MC Fund will be an unsecured post-petition creditor with respect to a DIP Financing ranking ahead of the pre-petition and (if the DIP Financing is accorded “super priority” status by the bankruptcy court) post-petition unsecured creditors of the DIP, but not ahead of pre-petition and post-petition secured creditors of the DIP (to the extent of the value of the assets collateralizing such creditors’ claims), and the unencumbered assets of the DIP may be insufficient to make the scheduled payments to the MC Fund. In addition, the MC Fund may experience a substantial or complete loss on an unsecured DIP Financing in the event a DIP converts its Chapter 11 case to a Chapter 7 case. In such event, the administrative expenses of liquidating the DIP after such conversion will rank above the DIP Financing and the MC Fund’s status as a “super priority” lender may apply only with respect to the DIP’s pre-petition and pre-conversion post-petition unsecured creditors. If the DIP Financing is granted liens (even on a non-priming basis), such liens (to the extent of any collateral covered thereby) will rank ahead of any administrative expense claims arising following the conversion to a Chapter 7 case.

*Special Situations.* The MC Fund may have investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash, assets or a new security the value of which will be less than the purchase price to the MC Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not occur, the MC Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the MC Fund may invest, there is a potential risk of loss by the MC Fund of its entire investment in such companies. In connection with such transactions (or otherwise), the MC Fund may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued security are fixed when the MC Fund enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

*Investments in Undervalued Securities.* The MC Fund is permitted to invest in securities that the Manager believes are undervalued, including “distressed debt” and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties, and



situations where the Manager believes a specific covenant or deal structure has created a pricing anomaly. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the MC Fund's investments may not adequately compensate for the business and financial risks assumed.

The MC Fund may be forced to sell, at a substantial loss, undervalued securities that have not achieved projected value. In addition, the MC Fund may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the MC Fund's funds would be committed to the securities purchased, thus possibly preventing the MC Fund from investing in other opportunities. In addition, the MC Fund may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting periods.

*Second Lien Loans.* A portion of the MC Fund's investments may consist of second lien loans. Second lien loans are subject to the same risks associated with loans in general described above. However, a second lien loan is subordinate in right of collateral and/or payment to one or more senior secured first lien loans of the related borrower and therefore is subject to additional risk that the cash flow of the related borrower and the property securing the second lien loan may be insufficient to make the scheduled payments to the MC Fund after giving effect to any senior secured first lien loans of the related obligor. The subordination of second lien loans is also expected to cause second lien loans to be more illiquid investments than senior secured first lien loans.

*Mezzanine Debt.* Mezzanine obligations are subject to the same risks as loans described above. In addition, mezzanine obligations may provide that all or part of the interest accruing thereon will not be paid on a current basis but will be deferred. Mezzanine obligations also generally involve greater credit and liquidity risks than those associated with senior secured loans. They are often entered into in connection with leveraged acquisitions or recapitalizations in which the obligors thereunder incur a substantially higher amount of indebtedness than the level at which they previously operated and, as referred to above, sit at a subordinated level in the capital structure of such companies.

*Equity Investments.* The MC Fund is permitted to invest in common and preferred stock and other equity securities in connection with providing debt financing to issuers of such equity securities in cases in which MCCP believes it possesses a competitive advantage or valuable insights in the company or transaction. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other liabilities of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In addition, these equity securities may be illiquid or trade at significant discounts to otherwise comparable investments. Equity securities may not produce current income for the MC Fund and may be speculative. The MC Fund may experience a substantial or complete loss on individual equity securities.

*Prepayment of Loans.* Loans are generally prepayable in whole or in part at any time at the



option of the obligor thereof at par plus accrued unpaid interest thereon. Prepayments on loans may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. In addition, proceeds received upon such a prepayment may be subject to reinvestment risk.

*Assignments and Participations.* While the MC Fund intends to focus on originating new loan transactions, the MC Fund is permitted to acquire interests in loans either directly (by way of assignment from a lender under the related loan agreement) or indirectly (by purchasing a participation interest from a selling institution or through the acquisition of synthetic securities). As described in more detail below, holders of participation interests and synthetic securities are subject to additional risks not applicable to a holder of a direct interest in a loan.

Participations by the MC Fund in a selling institution's portion of a loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, the MC Fund will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. By holding a participation interest in a loan, the MC Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement and the MC Fund may not directly benefit from the collateral supporting the loan in which it has purchased the participation interest. As a result, the MC Fund will assume the credit risk of both the borrower and the selling institution, which will remain the legal owner of record of the applicable loan. In the event of the insolvency of the selling institution, the MC Fund, by owning a participation interest, may be treated as a general unsecured creditor of the selling institution, and may not benefit from any set-off between the selling institution and the borrower. In addition, the MC Fund may purchase a participation interest from a selling institution that does not itself retain any beneficial interest in any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. When the MC Fund holds a participation interest in a loan it will not have the right to vote under the applicable loan agreement with respect to every matter that arises thereunder, and it is expected that each selling institution will reserve the right to administer the loan sold by it as it sees fit and, subject to the terms of the participation agreement, to amend the documentation evidencing such loan in all respects. Selling institutions voting in connection with such matters may have interests different from those of the MC Fund and may fail to consider the interests of the MC Fund in connection with their votes.

Where the MC Fund acquires a participation interest in a bank loan, the form of agreement documenting the acquisition can vary based on the contract law governing the debt. Where the contract is New York law governed, the agreement is also generally New York law governed and intended to be structured as a "true participation," providing the MC Fund with a beneficial ownership right in the proceeds payable in relation to the bank debt. This structure can limit the MC Fund's counterparty credit risk exposure against the institution selling the participation, and if the seller files for bankruptcy during the life of the agreement, the court may ring-fence proceeds related to the bank debt for the benefit of the MC Fund. Where the contract is based under English law (or the law of another European jurisdiction), the agreement documenting the participation in most instances will be English law governed and will likely be structured as a derivative agreement between the MC Fund and the institution selling the debt. This structure generally carries a higher

risk for the MC Fund because: (i) the derivative agreement grants no beneficial ownership interest in the proceeds paid to the selling institution, providing the MC Fund with only an unsecured claim against the selling institution in the event of its bankruptcy during the life of the agreement; and (ii) the possibility that the agreement will be treated as a "security-based swap" pursuant to Title VII of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

There is a risk that a derivative agreement documenting the purchase of a participation interest satisfies the definition of a "security-based swap." A transaction generally satisfies this definition if structured as an exchange of payments based on the value of interest or another rate, instrument of indebtedness, or other financial or economic interest, transferring the financial risk without also conveying a current or future direct or indirect ownership interest in an asset. If found to be a security-based swap, this will be considered a "security" for the purposes of the Securities Act and the Exchange Act. The implications of a derivative contract being a "security-based swap" may result in increased costs, liabilities and compliance risks on behalf of the MC Fund, including the following: (i) activities based on a security-based swap will be subject to anti-fraud and anti-manipulation provisions under federal securities laws and the MC Fund may be restricted from selling the participation interest under the agreement while in possession of material non-public information without first disclosing such information to its counterparty; this makes for compliance difficulties in light of the private nature of bank loans in Europe, (ii) the MC Fund may be required to register with the SEC as a security-based swap dealer and may become subject to certain capital, margin, reporting, record keeping, position limits and business conduct requirements mandated under the Dodd-Frank Act, (iii) the sale of a security-based swap may be subject to registration requirements under Section 5 of the Securities Act, and (iv) the transactions in a security-based swap will be subject to the same regulations applicable to securities under the Exchange Act, including margin, capital and books and records requirements applicable to registered broker-dealers.

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

Assignments and participations are sold without recourse to the assignor or selling institution, as applicable, and the assignor or selling institution, as applicable, will generally make minimal or no representations or warranties about the underlying loan, the borrowers, the documentation of the loans or any collateral securing the loans. In addition, the MC Fund will be bound by provisions of the underlying loan agreements, if any, that require the preservation of the confidentiality of information provided by the borrower.

*"Spread Widening" Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the debt

instruments in which the MC Fund invests may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even more “undervalued” levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

*Corporate Debt Obligations.* The MC Fund expects to make loans to middle market companies, including companies experiencing financial trouble or those undergoing significant change or expansion. Such loans are typically expected to be term loans. Most of these loans are expected to be below investment grade or not rated. The MC Fund also may invest directly or through participations in loans with revolving credit features or other commitments or guarantees to lend funds in the future. Failure by the MC Fund to advance requested funds to a borrower could result in claims against the MC Fund and in possible assertions of offsets against amounts previously lent.

*Hedging Transactions.* The Manager may, but is under no obligation to, utilize various financial instruments both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the MC Fund’s investment portfolio resulting from fluctuations in the securities markets and/or changes in interest rates; (ii) protect the MC Fund’s unrealized gains in the value of the MC Fund’s investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the MC Fund’s portfolio; (v) hedge the interest rate or currency exchange rate on any of the MC Fund’s liabilities or assets; (vi) protect against any increase in the price of any securities the MC Fund anticipates purchasing at a later date; or (vii) for any other reason that the Manager deems appropriate.

The success of the MC Fund’s hedging strategy will be subject to the Manager’s ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the MC Fund’s hedging strategy will also be subject to the Manager’s ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner.

While the MC Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the MC Fund than if it had not engaged in any such hedging transactions. For a variety of reasons, the Manager may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the MC Fund from achieving the intended hedge or expose the MC Fund to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the MC Fund’s portfolio holdings.

In certain transactions, the MC Fund may not be “hedged” against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated. The Manager may not hedge a position in the MC Fund’s portfolio because a hedge may not be available; it may be too costly in light of the likelihood of the possible risk actually occurring or the risk simply could not be reasonably anticipated.

*Short Selling.* The MC Fund's hedging strategy may include short selling. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the MC Fund engages in short sales will depend upon its investment strategy and perception of market direction. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the MC Fund of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

*Derivative Financial Instruments and Techniques.* The MC Fund may use derivative financial instruments. The risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the MC Fund's assets, include (i) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset); (iii) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (iv) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

*Swap Agreements.* In order to hedge the value of the MC Fund's portfolio, the MC Fund may enter into credit default swap, interest rate swap and other swap agreements ("Swap Agreements"). In interest rate swap transactions, there is a risk that yields will move in the direction opposite of the direction anticipated by the MC Fund, which would cause the MC Fund to make payments to its counterparty in the transaction that could adversely affect the MC Fund's performance. In addition to the risks applicable to swaps generally (including counterparty risk, high volatility, liquidity risk and credit risk), credit default swap transactions involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally

pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty).

Historically, Swap Agreements were individually negotiated non-standardized transactions entered into in the OTC market and have not been subject to the same type of government regulation as exchange-traded instruments. As a result, many of the protections afforded to participants on organized exchanges and in a regulated environment are not available in connection with these Swap Agreements. The swap markets are “principals’ markets”, in which performance with respect to a Swap Agreement is the responsibility only of the counterparty to the Swap Agreement, and not of any exchange or clearinghouse. As a result, the MC Fund is subject to the risk of the inability or refusal to perform with respect to a Swap Agreement on the part of the counterparties with which the MC Fund contracts. However, the OTC derivatives markets have recently become subject to comprehensive statutes and regulations and in particular in the United States, the Dodd-Frank Act requires that certain derivatives with U.S. persons must be executed on a regulated market and a substantial portion of OTC derivatives must be submitted for clearing to regulated clearinghouses. As a result, swap transactions entered into by the MC Fund (if any) may become subject to various requirements applicable to swaps under the Dodd-Frank Act, including clearing, exchange-execution, reporting and recordkeeping requirements, which may make it more difficult and costly for the MC Fund to enter into swap transactions.

Depending on their structure, Swap Agreements may increase or decrease the MC Fund’s exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap Agreements can take many different forms and are known by a variety of names. The MC Fund is not required to enter into swap transactions for hedging purposes or to enhance income or gain and may choose not to do so. In addition, the swaps market is subject to a changing regulatory environment. It is possible that regulatory or other developments in the swaps market could adversely affect the MC Fund’s ability to successfully use swaps.

The MC Fund is not limited to any particular form of Swap Agreement if consistent with the MC Fund’s investment strategy and policies.

*Investments in Debt Obligations are Subject to Credit and Interest Rate Risks.* Portfolio Investments consisting of debt instruments are subject to credit and interest rate risks. “Credit risk” refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument and how this risk changes over time. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In addition, certain instruments may provide for payments-in-kind interest, which has a similar effect of deferring current cash payments. There can be no assurance that the Manager will be successful in assessing the credit risk of the different Portfolio Investments or mitigating the impact of credit risk changes on the MC Fund. A borrower’s ability to repay its loans may be adversely affected by numerous factors, including, without limitation, the failure to meet its business plan, a downturn in its industry or negative economic conditions. Deterioration in a borrower’s financial condition and prospects may be accompanied by deterioration in the value of any collateral and a reduction in the likelihood of the MC Fund capitalizing on any guarantees it may have obtained from the borrower’s management or other



parties. Although the MC Fund will seek to be the senior, secured lender to a borrower, some of the MC Fund's direct loans may be subordinated to a senior lender, and the MC Fund's interest in any collateral would, accordingly, likely be subordinate to another lender's security interest. Furthermore, there is no assurance that the value of the collateral will be sufficient to protect all or a portion of the MC Fund's investment. The MC Fund may lose the entire value of a loan, may be required to accept cash, assets or securities with a value less than the MC Fund's loan and/or may be prohibited from exercising certain rights with respect to such loan. Such loans may not show any returns for a considerable period of time. Moreover, such loans may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims, and may also involve substantial litigation. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt obligations which are rated by rating agencies are often reviewed and may be subject to downgrade.

"Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate debt securities) and directly (especially in the case of debt instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. In addition, interest rate increases generally will increase the interest carrying costs to the MC Fund of borrowed securities and leveraged investments.

*Fraud.* Of paramount concern in originating Portfolio Investments is the possibility of material misrepresentation or omission on the part of a borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the Portfolio Investments, or may adversely affect the likelihood that a lien on the collateral securing the Portfolio Investments has been properly created and perfected. The Manager will rely upon the accuracy and completeness of representations made by borrowers, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the MC Fund may be reclaimed if any such payment or distribution is later determined to have been made with intent to defraud or prefer creditors.

*Reliance on Borrower's Management.* Although the MC Fund may seek certain information and access, the MC Fund will not have an active role in the day-to-day management of any borrower. Accordingly, the success or failure of the borrowers will depend to a significant extent on their management teams.

*Lack of Control Over the Borrowers.* The MC Fund generally will not be in a position to control any borrower by investing in its equity securities and/or providing debt financing. As a result, the MC Fund is subject to the risk that a borrower in which the MC Fund invests may make business decisions with which the MC Fund disagrees and the management of such borrower, as representatives of the holders of their common equity, may take risks or otherwise act in ways that

do not serve the interests of the MC Fund as a minority stakeholder and/or creditor. In addition, the MC Fund may provide mezzanine financing in cases in which MCCP believes it possesses a competitive advantage or valuable insights in the company or transaction which is typically junior (or subordinated) to the obligations of a borrower to senior creditors and senior secured creditors. The ability of the MC Fund to use its position as a holder of mezzanine debt to influence a borrower's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors and senior secured creditors.

*Allegations of Lender Liability and Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders.

In addition, if a creditor, among other things, (i) intentionally takes an action that results in the under capitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Similarly, if a court determined that a purported debt investment lacked sufficient indicia of indebtedness, such court could recharacterize such loan as equity for the purposes of priority of distributions in an insolvency proceeding. Because of the nature of certain of the investments made by the MC Fund and investments in an obligor by affiliates of the MC Fund, the General Partner or the Manager, the MC Fund could be subject to claims from creditors of an obligor that investments issued by such obligor that are held by the MC Fund should be equitably subordinated or recharacterized. It is possible though not anticipated that a small number of investments in the portfolio companies may involve investments in which the MC Fund would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims or recharacterization affecting the investments made by the MC Fund could arise without the direct involvement of the MC Fund.

*Investments Could be Alleged to be Fraudulent Conveyances.* Various federal and state laws enacted for the protection of creditors may apply to the investments made by the MC Fund by virtue of the MC Fund's role as a creditor with respect to such investments made by the MC Fund. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment made by the MC Fund and the grant of any security interest or other lien securing such investment made by the MC Fund, and, after giving effect to the incurring of such indebtedness, the borrower (i) was insolvent; (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future

creditors of the borrower or recover amounts previously paid by the borrower (including to the MC Fund) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the insolvency of an issuer, payments made on the investments in such issuer made by the MC Fund could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency depending on a number of factors, including the amount of equity of the borrower owned by the MC Fund and its affiliates and any contractual arrangements between the borrower, on the one hand, and the MC Fund and its affiliates, on the other hand. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. Generally, however, a borrower would be considered insolvent at a particular time if the sum of its debts was greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to the incurrence of the loan or that, regardless of the method of evaluation, a court would not determine that the borrower was “insolvent” upon giving effect to such incurrence.

*Non-U.S. Investments.* The MC Fund may invest a portion of its assets outside of the U.S. Non-U.S. securities or instruments involve certain factors not typically associated with investing in U.S. securities or instruments, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the MC Fund’s foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which the MC Fund invests; (iii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iv) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (v) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation or the imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sales or disposition proceeds; (vi) the possible imposition of foreign taxes on income, gains and gross sale or other proceeds recognized with respect to such securities or instruments; and (vii) differing and potentially less well-developed or well-tested corporate laws regarding stakeholder rights, creditors’ rights (including the rights of secured parties), fiduciary duties and the protection of investors.

*No Assurance of Investment Return.* MCCP cannot provide assurance it will be able to successfully choose, make and/or realize investments on behalf of a Client. Further, there can be no assurance that the MC Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the types of investments described in such fund’s confidential private placement memorandum or comparable to such fund’s targeted returns. The marketability and value of any such investment will depend upon many factors beyond the control of MCCP. The expenses of the MC Fund may exceed its income, and an investor could



lose the entire amount of its contributed capital. Therefore, an investor in the MC Fund should only invest in the fund if it can withstand a total loss of its investment. While MCCP intends to make investments that have projected returns commensurate with the risk undertaken, a total loss of the investment is possible on any given investment.

*Material, Non-Public Information.* By reason of their responsibilities in connection with its Clients and other activities, personnel of MCCP may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities or investments. MCCP will not be free to act upon any such information on behalf of its Clients. Due to these restrictions, MCCP may not be able to initiate a transaction for a Client that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

For a more complete discussion of the risks associated with investing with us, potential investors in the MC Fund should refer to the MC Fund's Governing Documents.

D. Recommendation of a Particular Type of Security

While we have broad discretion in making investments for our Clients, investments will generally consist of private debt instruments.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

To the best of our knowledge, there are no legal or disciplinary events that are material to our Clients' evaluation of our advisory business or the integrity of our management.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Broker-Dealer Registration

None.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration

None.

C. Material Relationships and Conflicts of Interests with Industry Participants

None.

D. Recommendation and Selection of Other Investment Advisers

Not Applicable.

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**  
**AND PERSONAL TRADING**

**A. Code of Ethics**

We demand the highest standards of ethical conduct and care from all of our employees, officers, and directors. Our officers, directors, and employees, whom we collectively refer to as our “personnel,” must abide by this basic business standard and must not take inappropriate advantage of their position. Our personnel are under a duty to exercise their authority and responsibility for the benefit of our Clients and us, and may not have paid outside interests that inappropriately conflict with the interests of our Clients and us. Our personnel must avoid circumstances or conduct that adversely affects, or that appears to adversely affect, our Clients or us.

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a code of ethics (the “Code of Ethics”) to establish applicable policies, guidelines and procedures that promote ethical practices and conduct by all of our personnel and that prevent violations of the federal securities laws, including the Advisers Act. Our Code of Ethics is predicated on the principle that we owe a fiduciary duty to our Clients. It consists of several policies primarily designed to address potential conflicts of interest, including a personal investment policy, inside information, gifts, entertainment, political contributions and outside activities policies.

Our personnel must observe the applicable standards of care set forth in our Code of Ethics and may not seek to evade the policies and procedures set forth therein in any way, including through indirect acts by family members or other associates. The obligations set forth in our Code of Ethics are in addition to, and not in lieu of, any other policies and procedures we adopt in respect of the conduct of our business. Our personnel must certify at least annually that they have read, understand, are subject to, and have complied with our Code of Ethics and our compliance manual. Our personnel must comply with applicable federal securities laws and must report violations of our Code of Ethics to our Chief Compliance Officer (“CCO”).

We will provide a copy of our Code of Ethics, free of charge, to any Client or prospective investor upon request. Our Code of Ethics may be requested by contacting us at 203-989-9700 or [contact@mccp.com](mailto:contact@mccp.com).

**B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time**

Conflicts of interest may occur when we, our affiliates, or our personnel invest in the same securities, trade in the same securities at or about the same time, or have a material financial interest in the same securities that we recommend to our Clients. In addition, our personnel may own securities in their personal accounts that we also have recommended to our Clients. Our Code of Ethics and the policies and procedures set forth therein have been designed to limit conflicts of interest in cases where we or any of our personnel, buy, sell, or otherwise have an interest in, securities we have recommended to our Clients.

C. Cross-Trades

Cross-trades are transactions between two clients of the same investment adviser, regardless of whether a broker-dealer is engaged to effect the transaction. MCCP does not expect to engage in cross-trades. However, consistent with our Clients' organizational documents and any applicable law, we may sell Portfolio Investments between Clients' accounts for bona fide portfolio management reasons that are disclosed in the Clients' Governing Documents. Under our policies and procedures, any proposed cross-trade or transaction between Clients' accounts must be advantageous to each of the Clients involved in the transaction.

D. Principal Transactions

In a principal transaction, an adviser, acting for its own account, buys a security from, or sells a security to, a client. While we have not and do not currently intend to, if we buy securities from, or sell securities to, our Clients, Section 206(3) of the Advisers Act requires an investment adviser to provide written disclosure to a client and obtain the client's consent prior to settlement of any principal transaction. Prior to execution of a principal transaction, the employee recommending the trade must prepare a brief memorandum setting forth the reasons that the transaction is in the best interests of the Client involved, explaining how the transaction will be priced and demonstrating compliance with the relevant provisions of the Advisers Act relating to such type of transaction, including the client consent requirement of Section 206(3).

E. Personal Trading Policy

As discussed above, our personnel must abide by our Code of Ethics. As a general matter, our personnel owe an undivided duty of loyalty to our Clients. Our personnel may not use their knowledge concerning a trade, pending trade, or contemplated securities transaction by any of our Clients to profit personally as a result of such transaction, including by purchasing or selling such securities.

Our Code of Ethics contains a personal trading policy which mandates that our personnel disclose their personal securities holdings and transactions made within "Covered Accounts" as defined in our Code of Ethics. Further, our personnel are generally prohibited from purchasing or selling, for any personal accounts, any securities that at that time are listed on our "Restricted List," which contains a list of companies or issuers about which we have determined that it is prudent to restrict trading because, among other reasons, (i) we may possess material non-public information, (ii) we may owe a fiduciary obligation, or (iii) our Clients own or intend to purchase an interest. Further, our personnel may not invest in an initial public offering or a private placement without the prior, express written approval of our CCO.

The Code of Ethics also contains policies and procedures to prevent the misuse of material non-public information by our personnel.

**ITEM 12**  
**BROKERAGE PRACTICES**

Not Applicable.

## ITEM 13 REVIEW OF ACCOUNTS

### A. Periodic Review of Client Accounts

MCCP monitors all Portfolio Investments on behalf of each Client on an ongoing basis. Investments are reviewed in the context of each Client's (i) adherence to the investment objectives and guidelines as set forth in its Governing Documents and (ii) investment performance. The lead investment professional on a transaction is responsible for monitoring the investment from origination through maturity. The lead investment professional, in coordination with the rest of the investment team, as well as the Chief Investment Officer, actively manages Portfolio Investments through contractually provided means such as conference calls with management, site visits and participation in board meetings, as appropriate, and review of annual, quarterly (and in certain cases monthly) audited and unaudited financial statements and compliance certificates. The lead investment professional, in coordination with the rest of the investment team, carefully monitors performance of each investment under their supervision, including (i) analyzing trends in the business (year-over-year, sequentially, actual versus budget), (ii) monitoring financial statistics (such as days sales outstanding, days payable outstanding, inventory turns, leverage, fixed charges), (iii) comparing trends to comparable companies in the same sector, and (iv) monitoring liquidity and financial covenants.

### B. Additional Review of Client Accounts

In addition to investment committee meetings, our investment professionals meet and review Client portfolios on a more frequent, informal basis as members of our senior management or our CCO may deem prudent or appropriate.

### C. Contents and Frequency of Account Reports to Clients

In general, we will provide the underlying investors in each MC Fund with (i) quarterly unaudited financial statements and statements of changes in partners' equity together with a report of the applicable MC Fund's investment activities and any material events pertaining to Portfolio Investments during such period for each of the first three fiscal quarters of each fiscal year, (ii) annual audited financial statements and statements of changes in partners' equity, and (iii) annual tax information necessary for completion of U.S. federal income tax returns.

## ITEM 14

### CLIENT REFERRALS AND OTHER COMPENSATION

#### A. Economic Benefits for Providing Services to Clients

In connection with investments made by certain Clients, MCCP or its related persons may receive commitment, structuring, monitoring or other transaction fees from Portfolio Investments in which one or more of the Clients may invest or propose to invest. The potential for MCCP and its related persons to receive such economic benefits may create conflicts of interest as MCCP and its related persons may have economic incentives to invest in Portfolio Investments that provide such benefits. To mitigate potential conflicts, such benefits received by MCCP in connection with its services related to portfolio companies or transactions generally offset management fees payable by the related Client or are used to fund Portfolio Investments, organizational expenses or operational expenses.

#### B. Compensation to Non-Supervised Persons for Client Referrals

We have in the past and may in the future enter into solicitation agreements with third parties, including placement agents, pursuant to which we may compensate persons who are not our supervised persons for Client referrals, or for introductions to persons who become investors in pooled investment vehicles we manage. We may make cash payments to or share a portion of our fees with such solicitors. Our Chief Investment Officer, or his designee, reviews such arrangements in order to determine whether such arrangements: (i) are subject to Rule 206(4)-3 under the Advisers Act, the “Cash Solicitation Rule,” and, if so, whether the arrangements comply with the Cash Solicitation Rule, and (ii) comply with other applicable laws, rules and regulations, including laws and regulations requiring the registration of broker-dealers. Placement agents that solicit or refer potential Clients or investors in the MC Fund to us are subject to a conflict of interest because they will be compensated in connection with their solicitation activities.

MCCP endeavors at all times to put the interests of its Clients first as part of MCCP's fiduciary duty. Nevertheless, the receipt or potential receipt of compensation by placement agents create potential conflicts of interest and may affect the judgment of placement agents when making referrals to MCCP and the MC Fund.



## ITEM 15 CUSTODY

Rule 206(4)-2 of the Advisers Act (the “Custody Rule”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

Investment advisers are required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which they have custody with a “qualified custodian.” Qualified custodians include banks, broker-dealers, futures commission merchants, and certain foreign financial institutions.

Rule 206(4)-2 generally imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients’ funds or securities. However, advisers need not comply with such requirements with respect to pooled investment vehicles if the pooled investment vehicle: (i) is audited at least annually by an independent public accountant and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or in certain circumstances, to all limited partners, members, or other beneficial owners, within 120 days (180 days in the case of a fund of fund adviser) of its fiscal year end.

We are deemed to have custody of the funds and securities of the MC Fund and must comply with the requirements of the Custody Rule. We intend to distribute the audited financial statements of the MC Fund to investors in the MC Fund within the 120-day time period required by the Advisers Act, and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

## **ITEM 16**

### **INVESTMENT DISCRETION**

At the outset of an advisory relationship, we typically receive discretionary authority from Clients to determine what investments are to be made and when they are to be sold by the Client. In all cases, we exercise this investment discretion in a manner consistent with the stated investment objectives and Governing Documents of the Client.

When selecting and determining the amount of an investment, we observe the investment policies, limitations, and restrictions of the Clients we advise. Our Clients may place limitations on our investment authority in their investment advisory agreement or other Governing Documents, including, without limitation, restrictions on transactions in securities issued by companies in a specific industry or specific geographical location.

Our Clients must provide us with investment guidelines and restrictions in writing. Additionally, we require that Clients exercise a power of attorney in our favor.

For a complete discussion of our advisory business and the services we provide to our Clients, please see Item 4, "Advisory Business".

## ITEM 17

### VOTING CLIENT SECURITIES

We have accepted, and in the future will continue to accept, the discretionary authority to vote our Clients' securities. As such, we have adopted a Proxy Voting, Waivers and Amendments Policy (the "Proxy Voting Policy") and corresponding procedures to comply with Section 206 of, and Rule 206(4)-6 under the Advisers Act and with our fiduciary obligations. The Proxy Voting Policy applies to voting securities held by our Clients and has been designed to ensure that we vote proxies in the best interest of our Clients. Additionally, because we engage primarily in direct lending to portfolio companies or enter into other types of lending agreements, the Proxy Voting Policy applies to requests for waivers and amendments to various loan transaction documents. For purposes of the Proxy Voting Policy, we treat requests for waivers or amendments as proxies.

When voting proxies our primary objective is to make decisions in the best interest of our Clients. In fulfilling our obligations to our Clients, we will act in prudent and diligent manner to enhance the economic value of the underlying securities held by each of our Clients. In acting upon these matters on behalf of our Clients, we will seek to avoid material conflicts of interest between our interests and the interests of our Clients.

Our Chief Investment Officer will be responsible for making voting decisions with regard to all of our Clients' proxies. When voting proxies, some of our considerations include:

- the view and opinion of management of the Portfolio Company in which our Client holds a position and the effect of management's position on the value of our Client's investments;
- with regard to corporate governance matters, the purpose underlying the Client's investment position, including the investment horizon and the current or planned ownership position and degree of our involvement, on behalf of our Client, in management; and
- the purpose of proposed changes to the capital structure of a Portfolio Company and the likely effect of the change on the Client's investment.

When deciding how to vote proxies certain conflicts of interest may arise. For example, portfolio companies in which different Clients are invested may be competing for or involved in similar transactions, investments, lines of business, or types of research. Voting a proxy, waiver or amendment with regard to one Client's Portfolio Company may adversely affect the prospects or business of another Client's Portfolio Company. In acting upon these matters on behalf of our Clients, we will seek to avoid or mitigate material conflicts between and among our Clients and ourselves.

We will maintain proper records in connection with our Proxy Voting Policy and as required under the Advisers Act. Our Clients can obtain a copy of our Proxy Voting Policy and voting procedures and information on how we have voted proxies or made determinations with respect to requests for waivers or amendments by contacting us at 203-989-9700 or [contact@mccp.com](mailto:contact@mccp.com).

**ITEM 18**  
**FINANCIAL INFORMATION**

A. Balance Sheet

We are not required to attach a balance sheet because we do not charge investment management fees more than six (6) months in advance.

B. Contractual Commitments to Our Clients

We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our Clients.

C. Bankruptcy Petitions

We have never been the subject of a bankruptcy petition.