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# First Eagle Alternative Credit, LLC

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This brochure provides information about the qualifications and business practices of First Eagle Alternative Credit, LLC ("FEAC"). If you have any questions about the contents of this brochure, please contact us at (800) 450-4424 and/or [FEAC.Compliance@firsteagle.com](mailto:FEAC.Compliance@firsteagle.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. FEAC is a registered investment adviser with the SEC. This registration does not imply any level of skill or training.

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

No information contained herein should be construed as a solicitation or offer, or recommendation, to buy or sell any security, or as an offer to provide advisory services. Any offering or potential transaction that may be related to information in this brochure will be made pursuant to separate and distinct documentation.

## **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 any investment vehicle; or**
- **A complete discussion of the features, risks or conflicts associated with any investment vehicle or advisory service.**

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), FEAC provides this Brochure to current and prospective clients. In its discretion, FEAC may also provide this Brochure to current or prospective investors in an investment vehicle, together with other relevant documents, such as an investment vehicle’s offering documents or private placement memorandum, organizational documents and other related transaction documents, as applicable (together, the “Relevant Documents”), prior to, or in connection with, their investments. Additionally, this Brochure is available through the SEC’s Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of FEAC, persons who receive this Brochure (whether or not from FEAC) should be aware that it is designed solely to provide information about FEAC as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure differs from information provided in the Relevant Documents. More complete information about an investment vehicle or advisory service is included in the Relevant Documents, certain of which may be provided to current and eligible prospective investors only by FEAC or by persons authorized to communicate with current or potential eligible investors by or on behalf of FEAC. To the extent that there is any conflict between discussions herein and similar or related discussions in any such Relevant Documents, such Relevant Documents shall govern and control. No offer or solicitation for an investment in any investment vehicle or account advised by FEAC will be made before the delivery of the applicable Relevant Documents to potential investors who should read the Relevant Documents carefully and consult with their tax, legal and financial advisors before making any investment decision.

## **Item 2 – Material Changes**

This Item 2 discusses only specific material changes that are made to this brochure since FEAC filed its annual amendment on March 30, 2022.

- References to First Eagle Alternative Capital BDC, Inc. have been removed throughout in connection with the transaction with Crescent Capital BDC, Inc. which closed in March 2023.
- Items 4 and 10 have been updated to reflect the acquisition of Napier Park (as defined herein) by an affiliate of FEAC.
- Item 5 has been amended to update fees for certain investment strategies.
- Item 8 has been updated to add/update certain material risk disclosures.
- Item 14 has been updated to reflect amended Investment Advisers Act Rule 206(4)-1 (Marketing Rule).

There were also other non-material disclosure updates elsewhere in the brochure.

A copy of this brochure may be requested free of charge by contacting us. Our contact information is included on the cover page of this Brochure.

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## **Item 4 – Advisory Business**

### **Firm Overview**

First Eagle Alternative Credit, LLC (“FEAC”), the alternative credit group of First Eagle Investment Management, LLC (“FEIM”), is an investment manager for both direct lending and broadly syndicated investments, through public and private vehicles, collateralized loan obligations, separately managed accounts and comingled funds. FEAC is a Delaware limited liability company that was formed in 2009 under the name THL Credit Advisors LLC.

In January 2020, FEAC (then, THL Credit Advisors LLC) was acquired by a wholly owned subsidiary of FEIM. With a heritage that dates back to 1864, FEIM is an independent investment management firm that provides investment advisory services primarily to mutual funds, private funds and institutional accounts.

FEIM is a limited liability company organized under the laws of the State of Delaware and has been a registered investment adviser under the Advisers Act since 1995. It is a subsidiary of First Eagle Holdings, Inc. (“FE Holdings”), a holding company incorporated in Delaware. Since 2015, a controlling interest in FE Holdings is owned by BCP CC Holdings L.P. (“BCP CC Holdings”), a Delaware limited partnership. BCP CC Holdings GP L.L.C. (“BCP CC Holdings GP”), a Delaware limited liability company, is the general partner of BCP CC Holdings and has two managing members, Blackstone Capital Partners VI L.P. (“BCP VI”) and Corsair IV Financial Services Capital Partners L.P. (“Corsair IV”). BCP VI is indirectly controlled by a public company, Blackstone Inc. (“Blackstone”). Corsair IV is indirectly controlled by Corsair Capital LLC (“Corsair”). The general partner of Corsair IV is Corsair IV Management L.P., whose general partner is Corsair, the sole member of which is Corsair Capital, L.P., whose general partner is Corsair Capital Group, Ltd., of which the controlling member is D.T. Ignacio Jayanti. Investment vehicles indirectly controlled by Blackstone and Corsair and certain co-investors own a majority economic interest in FE Holdings and FEIM through BCP CC Holdings.

On December 31, 2020, FEAC’s wholly owned subsidiary, First Eagle Alternative Credit SLS, LLC (“SLS”) merged with and into FEAC. FEAC assumed each of SLS’s advisory contracts by operation of law. On the same date, First Eagle Private Credit, LLC (“FEPC”), another wholly owned subsidiary of FEIM, merged with and into FEAC. FEAC assumed each of FEPC’s advisory contracts by operation of law. Each of the foregoing transactions was part of an internal reorganization of entities by FEAC. There was no change to the ownership or control of either SLS or FEPC as a result of the transactions, and the same personnel managed the client accounts before and after such transactions.

On August 1, 2022, FEIM acquired 100% of the interests in Napier Park Global Capital LLC, a Delaware limited liability company. Napier Park Global Capital LLC is the indirect parent of (i) Napier Park Global Capital (US) LP, a Delaware limited partnership, which is registered as an investment adviser with the SEC and (ii) Napier Park Global Capital Ltd., a private limited company formed in the United Kingdom, which is registered as an investment adviser with the SEC and is authorized and regulated by the Financial Conduct Authority in the United Kingdom (collectively, “Napier Park”). Napier Park operates as an autonomous, wholly owned unit of FEIM. Napier Park also owns a de minimis interest in Regatta Loan Management LLC, a Delaware limited liability company, which is a private investment company and collateral manager to securitized asset

vehicles that is registered as an investment adviser with the SEC. As a wholly owned subsidiary of FEIM, Napier Park operates autonomously from FEAC and FEIM.

### **Investment Advisory Services**

FEAC provides investment advisory services on a discretionary and non-discretionary basis primarily to private funds, institutional clients (through separately managed accounts (“SMAs”)), collateralized loan obligations (“CLOs”), and registered funds (collectively, “Clients” and each, a “Client”). Such registered funds include:

- First Eagle Credit Opportunities Fund (“FECOF”), a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940 (the “1940 Act”) that continuously offers its shares and is operated as an interval fund (to which FEIM serves as investment manager); and
- American Beacon FEAC Floating Rate Income Fund (“AB FEAC”), a diversified, open-end management investment company registered under the 1940 Act (to which American Beacon Advisors, Inc. (“ABA”) serves as investment manager).

In the year ended December 31, 2022, FEAC also provided advisory services to First Eagle Alternative Capital BDC, Inc. (“FCRD”), an externally managed, non-diversified closed-end management investment company that previously elected to be regulated as a business development company (“BDC”) under the 1940 Act. In October of 2022, Crescent Capital BDC, Inc. (“Crescent BDC”) and FCRD announced entry into a merger agreement under which Crescent BDC would acquire FCRD. This transaction closed in March 2023, and FEAC no longer provides any advisory services to FCRD or its acquiring entity, the Crescent BDC. FEAC does provide transition services to the advisor of the Crescent BDC and continues to manage LJV I MM CLO LLC.

FEAC currently manages the following principal investment strategies:

- **Direct Lending** – FEAC’s Direct Lending platform provides debt and equity capital to middle-market companies. In particular, Direct Lending Clients provide financing primarily in the form of directly originated first-lien and second-lien secured loans, including through asset-based loans and unitranche investments. In certain instances, Direct Lending Clients make subordinated debt investments, which may include an associated equity component such as warrants, preferred stock or similar securities, and direct equity co-investments.
- **Tradable Credit** – FEAC’s Tradable Credit platform provides discretionary and non-discretionary investment management services to Clients primarily in below investment grade investment opportunities in bank loans, high yield debt, debt or equity issued by CLOs, and other securities.

Clients’ investments are generally managed in accordance with the particular investment objectives, strategies, restrictions and guidelines set forth in each Client’s investment advisory agreement, prospectus, private placement memorandum and any other relevant agreement or document (“Client Agreements”). For Clients seeking an SMA structure, FEAC generally is able to tailor advisory services to meet the different needs of Clients, and Clients are generally able to impose restrictions on investing in specific securities or types of securities (e.g., no securities

of issuers involved in “vices” or restrictions from trading in derivatives). The investment objectives, strategies, restrictions and other guidelines applicable to FEAC’s services for each Client are set forth in the Client Agreements applicable thereto and are further described in offering materials or memoranda provided to investors in pooled investment vehicles (“Supplemental Disclosures”).<sup>1</sup> Prior to investing in a Client, prospective investors should carefully review the Client Agreements and Supplemental Disclosures to confirm the suitability of an investment in a Client based on the investor’s particular circumstances.

FEAC also provides investment advisory services directly and through certain wholly owned subsidiary advisers.

As of December 31, 2022, FEAC, managed approximately \$19,790,362,043 of client assets on a discretionary basis and \$4,040,132 on a non-discretionary basis. This value may be different than Regulatory Assets Under Management reported on FEAC’s Part 1A of Form ADV and the asset under management calculation used for marketing, client reporting and/or billing.

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<sup>1</sup> Throughout this Brochure, “Funds” refers to Clients that are registered funds, private funds and other commingled vehicles, and “investors” refers to underlying investors in such Clients.

## Item 5 – Fees and Compensation

The following discussion represents our basic compensation and expense allocation arrangements. However, compensation and expense allocations are negotiable in certain circumstances, and arrangements with any particular Client or investor vary on a case-by-case basis. This is particularly true for SMAs, which typically contain more customized fee provisions than the basic compensation and expense allocation arrangements described below. All Clients and investors should review the relevant Clients Agreements and Supplemental Disclosures, as applicable, for complete information on fees and compensation payable to us, including, without limitation, information concerning calculation and payment methodology.

### Fee Arrangements

#### *Management Fees*

FEAC's advisory fees are generally as follows:

- **Direct Lending** – From its Direct Lending Clients, FEAC typically receives a management fee and, from time to time, a performance fee. The management fee may be based on gross assets under management which includes leverage, capital contributions or invested capital. Management fees generally range from 0.45% to 1.25%. A Client's written agreement with FEAC and, where applicable, its public filings with the Securities and Exchange Commission describe the calculation and payment method for the fees paid to FEAC.
- **Tradable Credit** – From its Tradable Credit Clients, FEAC typically receives a management fee as a percentage of assets under management based on an annual rate and paid quarterly. The annual rate is established in the Client's written agreement and typically applies to the sum of all cash and fair market value (including accrued interest) of the loans/securities in the account on the last day of the preceding quarter. Management fees generally range from 0.25% to 0.75% per annum with the lower rates generally being applicable to non-discretionary accounts. For larger accounts, FEAC, from time to time, offers break points at lower rates than these on assets above a certain level.

Additionally, FEAC began managing two CLOs in 2021 that were originally issued by another manager pursuant to investment management contracts that had previously established annual management fees of 0.15% and 0.22%, respectively. FEAC also charges performance fees from certain Tradable Credit Clients.

The Client's written agreement with FEAC describes the calculation and payment method for the services provided by FEAC.

FECOF invests in a combination of Direct Lending and Tradable Credit strategies. FEAC's parent, FEIM, serves as investment adviser to FECOF. The fees charged to FECOF are set forth in FECOF's prospectus and vary by share class. FEIM pays FEAC a fee for the investment advisory services it provides to FECOF. FECOF pays no adviser fee directly to FEAC.

AB FEAC invests primarily in Tradable Credit strategies. ABA serves as investment adviser to AB FEAC. The fees charged to AB FEAC are set forth in AB FEAC's prospectus and vary by share class. ABA pays FEAC a fee for the investment advisory services it provides to AB FEAC.



AB FEAC pays no adviser fee directly to FEAC.

For its services provided to CLOs, FEAC receives a base management fee and a subordinated management fee based on the aggregate principal balance of each CLO's portfolio. Both these fees are based on a contractual percentage per annum but differ in terms of their priority of payment relative to payments to the CLO investors.

FEAC has made, and expects to make in the future, exceptions to its general fee range based on various circumstances, such as a Client's relationship to FEAC, expectations of significant capital additions in the future, product line, or composition of portfolio, among other reasons. In such cases, different and reduced fee arrangements have been, and generally will be, negotiated with Clients or underlying investors in a private fund. FEAC also reserves the right to offer a blended fee rate for products that include both the direct lending and tradable credit platforms.

#### *Performance Payments*

FEAC receives a performance-based fee in compliance with Rule 205-3 under the Advisers Act based on the performance of certain Clients. Performance-based fees are discussed further in Item 6 – "Performance- Based Fees and Side-By-Side Management."

#### *Transaction-Related Fees*

In connection with investments made by certain Clients and in addition to FEAC's other compensation, FEAC and/or its affiliates, including FEF Distributors (defined below), receive, from time to time and as permitted under the applicable Client Agreements and applicable law, arrangement, origination, closing, commitment, documentation, structuring, facility, syndication, underwriting, placement, amendment, administrative agent, loan servicing and/or other transaction fees from portfolio investments in which one or more Clients invest or propose to invest. The potential for FEAC and its affiliates to receive these economic benefits creates a conflict of interest, as FEAC and its affiliates have an incentive to invest in portfolio investments that generate such benefits.

To mitigate conflicts, certain fees that FEAC and its affiliates receive in connection with FEAC or its affiliates' services related to portfolio companies or transactions are for the benefit of the relevant Client either by (i) an offset against the management fees payable to FEAC by the relevant Client or (ii) a cash distribution the relevant Client. However, certain categories of fees (such as arrangement, origination, documentation, structuring, facility, syndication, underwriting, placement, administrative agent, loan servicing and similar fees) are not always for the benefit of the relevant Client and may be retained by FEAC and/or its affiliates, in accordance with the applicable Client Agreement or applicable law. Determining whether an economic benefit received in connection with a transaction related to a portfolio investment is for the Client's benefit or retained by FEAC and/or its affiliates requires judgment, which creates a conflict of interest between Clients and FEAC. Additionally, because FEAC and/or its affiliates are often heavily involved in negotiating these transactions, FEAC has an incentive to structure the transactions to generate the types of fees that would not be for the Client's benefit.

In the event these fees are retained by FEAC and/or its affiliates, FEAC and its affiliates would receive higher total compensation than they would receive in a compensation structure that does not contain deal-related compensation or for which such compensation is for the

Client's benefit. As such, FEAC has a financial incentive to originate investments other than the incentive associated with a management fee and a performance payment. To partially mitigate this, FEAC's allocation policy sets out procedures for the allocation of investments without the consideration of potential benefits to FEAC and FEAC also applies certain guidelines to determine applicable arrangement fees and when such fees are retained by FEAC and/or its affiliates or a Client. Such guidelines are reviewed and may be modified based on market and business practices.

In some cases, a portion of a loan may be temporarily held by a non-advisory account (including accounts beneficially owned by FEAC or its affiliates), and when that excess portion is sold to third parties, FEAC or its affiliates could receive a fee or profit. In other cases, an excess portion of an asset is held by a Client before a third party purchases the asset. FEAC has an incentive to find larger deals than FEAC's Clients would ordinarily seek to generate transaction fees and profits. Further, these fees and profits create an incentive for FEAC and/or its affiliates to sell a larger portion of a loan to third parties (thereby reducing the Clients' shares of the loan) than FEAC would in the absence of such fees or profits.

In some cases, FEAC will serve in a leading role with respect to a particular originated loan. While FEAC believes that serving in a lead role provides more attractive investments to Clients over time, this role (and the fees associated therewith, which may be in addition to our advisory compensation) could conflict with the short-term interests of Clients on a particular deal. For example, when FEAC serves in a leading role, Clients could retain a larger than pro rata portion of revolving loans or delayed draw term loans. While the fees related to retaining these portions of revolving loans or delayed draw term loans generally benefit Clients, retaining these portions often requires Clients to reserve a sufficient amount of liquid capital to satisfy drawdown requests with respect to these loans. As a result, there is a risk that a greater portion of a Client's capital would be held in cash or other highly liquid assets than it otherwise would. In addition, FEAC could be required to sell a larger portion of a loan to third parties to win a mandate on a loan origination or to otherwise satisfy sponsor requests that FEAC would otherwise prefer to allocate in our capacity as investment manager to Clients. Nonetheless, FEAC believes that, in the long run, leading roles are integral to FEAC's efforts to secure the best investment opportunities for Clients and are consistent with Client's expectations.

#### *Additional Information Concerning Fees and Compensation*

FEAC has entered, and expects in the future to enter, into agreements with SMA Clients or underlying investors of its private fund Clients that contain provisions which grant such Client or investor certain preferential terms. Such provisions may apply to a single product or across multiple products advised by the Firm.

In addition, FEAC expects, from time to time, to invest a portion of a Client's assets in investment vehicles that are advised or sub-advised by FEAC or its affiliates (controlled affiliated funds), where the controlled affiliated fund provides a more efficient and cost-effective way to diversify an account. To the extent that FEAC invests Client assets in a controlled affiliated fund, FEAC will, depending upon the controlled affiliated fund used, either (1) not charge an advisory fee to the Client for investing in such fund, (2) waive investment advisory fees on the assets invested in such controlled affiliated fund, or (3) credit or avoid through other means the payment of the SMA advisory fees on the assets invested in a controlled affiliated fund. However, assets

invested in a controlled affiliated fund are subject to the fund fees and charges applicable to all investors in such controlled affiliated fund. Therefore, the Client can incur a higher total investment advisory fee if the controlled affiliated fund's management fee rate exceeds the rate the Client would otherwise pay for the management of its assets.

Asset-based management fees can create conflicts of interest with respect to Client accounts for which FEAC controls the timing and the amount of leverage, if any, used by a Client, since the use of leverage provides additional capital to such Client enabling such Client to increase the amount of loans it acquires, thus increasing the base against which FEAC's management fees are calculated with a corresponding increase to the amount of management fees FEAC is entitled to receive. This opportunity to earn higher fees gives FEAC an incentive to allocate investment opportunities based on a Client's use of leverage. FEAC seeks to mitigate this conflict by complying with its investments allocation policy (as described in more detail in Item 12 – "Brokerage Practices") that sets out procedures for allocations independent of the potential for FEAC to receive fees. For certain Clients, FEAC will, pursuant to the applicable Client agreement, have the right to cause the Client to borrow to pay expenses, including management fees or other fees payable to FEAC or its affiliates. Such right creates a conflict of interest because FEAC could cause the Client to incur the costs of borrowing in order to pay such fees.

Where applicable pursuant to the applicable Client Agreement, management fees that are calculated based on the amount of capital invested by the Client and the amount of such management fees generally will not be reduced based on reductions in the investment value, except as specified by such Client Agreement. Because management fees for certain Clients are calculated based on the invested capital of such Client, FEAC has an incentive to deploy capital when it might not otherwise have done so. As a general matter, management fees will also be payable during the term extensions of a private fund or other term-limited Client.

### **Distribution Fees**

FEAC is affiliated with FEF Distributors, LLC ("FEF Distributors"), a limited purpose broker-dealer and wholly owned subsidiary of FEIM. FEF Distributors is the distributor of one or more funds that FEAC sub-advises and is a wholesale placement agent of private funds advised by FEAC. FEF Distributors performs similar services for FEAC affiliates, including FEIM and Napier Park. FEF Distributors receives compensation for the sale of securities, including asset-based sales charges, service fees and contingent deferred sales charges from the sale of the registered funds it distributes and may receive commissions or other compensation attributable to sales of private funds. These fees and charges are not applied to offset advisory fees. Certain of FEAC's employees who are also FEF Distributors representatives may receive compensation that considers the sale of investments as one of many factors used to determine discretionary compensation. All such compensation is paid by FEIM, FEAC or Napier Park, as applicable, from revenue. In addition, FEIM has adopted incentive plans and has entered into agreements that provide for cash payments compensation to employees who develop and refer new business. These arrangements may present a conflict of interest and give FEAC and its employees/FEF Distributors representatives an incentive to recommend investment products based on the compensation received, rather than on a Client's needs. To help prevent FEAC and its employees from acting in such a way, FEAC has adopted a Code of Ethics requiring all FEAC employees to act solely in the best interests of Clients. Certain of FEAC's investment products can be

purchased through other agents or brokers that are not affiliated with FEAC. Certain shareholders and/or directors of FE Holdings are directors/officers/principals/owners of entities that receive compensation for the sale of investments (including investments in private fund Clients and with respect to SMA engagements).

### **Expense Allocation Arrangements**

#### *Shared Services Expenses*

Pursuant to the applicable Client Agreements, certain overhead and back office expenses may be allocated to certain Clients. In the case of certain categories of services provided, the allocation of expenses requires judgment to determine whether the expense is to be allocated to FEAC, to the Client or split ratably between FEAC and the Client. Accordingly, the use of judgment creates a conflict of interest since it is both in FEAC's best interest and in the Clients' best interest to pay less expenses.

In addition, where Clients invest in the same investment at different times, the first Client typically will bear, subject to the applicable Client Agreement, a higher level of diligence and transaction fees, costs and expenses than Clients that invest at a later time.

#### *Other Expenses*

In addition to FEAC's fees, Clients are subject to various expenses, including but not limited to custodial, brokerage, audit, legal and third-party administration. These expenses are likely to vary from Client to Client or by product. Please consult the applicable Client Agreements for more information on these expenses. Please see Item 12 – "Brokerage Practices" for more information on FEAC's brokerage practices.

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

FEAC earns performance fees in several different ways:

- (1) FEAC, from time to time, enters into arrangements with SMA Clients where performance fees are based on a share of capital gains, capital appreciation or a portion of excess profits. For example, in addition to the base annual management fee, an account would also include a performance-based fee payable when the account's performance return exceeds a predefined performance hurdle on an index or benchmark (e.g., Credit Suisse Leveraged Loan Index plus 25 basis points) or a preferred return. Performance fees are negotiable as part of the Client's written advisory contract. In measuring Client assets for the calculation of performance-based fees, FEAC includes realized and unrealized capital gains and losses.
- (2) As investment manager or sub-adviser to private funds, FEAC, whether directly or indirectly through an affiliated manager of the fund(s) or general partner, is from time to time entitled to receive a performance fee if it achieves a pre-defined percentage based internal rate of return ("IRR") hurdle, in some cases subject to a clawback, for investors in the fund. The calculation of such fee is based upon the fund's net profits.
- (3) As investment manager to CLOs, FEAC is, from time to time, entitled to receive a performance fee if it achieves a pre-defined percentage-based IRR hurdle for holders of the subordinated notes of the CLOs. This fee is calculated based on the outstanding investment in the subordinated notes upon achieving a predetermined IRR.

Clients should understand that performance fee rates vary by Client and that FEAC is likely to enter into different types of performance fee arrangements in the future. Performance fee arrangements create an incentive to recommend investments that are riskier or more speculative than those which would be recommended under a different fee arrangement. Also, in situations where FEAC portfolio managers manage these accounts side-by-side with accounts that do not have a performance fee, there is a conflict of interest which creates an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities.

FEAC has adopted procedures to address these conflicts of interest that are designed to ensure that all Clients are treated fairly and equitably. FEAC's trade aggregation and allocation procedures, which are detailed in Item 12 – "Brokerage Practices," are designed to ensure that transactions where the same securities are bought or sold for multiple Clients simultaneously are traded such that no participating Client is favored over any other Client. Another procedure involves the review of account performance over time for accounts employing similar investment strategies.

Because the amount of fees received is based on the value or performance of Client accounts, account asset values are determined in accordance with such Client's pricing procedures. Pricing procedures can vary according to the product managed, such as where a Client has specific pricing procedures for FEAC to apply. As a result, the price used by FEAC for a particular asset will sometimes vary between products holding the same asset. In circumstances where an account holds positions in its portfolio for which reliable independent third-party pricing is not readily available or is not reflective of fair value, FEAC generally

evaluates available information to make a good faith determination of fair value.

**Item 7 – Types of Clients**

FEAC provides advisory services to many types of Clients including insurance companies, banks, corporations, pension and profit-sharing plans, trusts and estates, charitable organizations, mutual funds, closed-end funds, government entities, CLOs, private funds and other pooled investment vehicles. The terms and conditions of Client accounts vary depending on the type of services provided or the type of Client, and these terms and conditions generally vary from Client to Client.

The minimum fee and account size requirements for opening an account are generally found in the applicable Client Agreements. In most cases, FEAC can waive the minimum requirements.

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

### **Direct Lending Platform and Method of Analysis**

FEAC uses fundamental credit analysis in seeking to identify investment opportunities with what FEAC believes are attractive risk-adjusted returns, primarily through investments in privately negotiated debt and equity securities of middle-market companies. Importantly, FEAC's investment philosophy focuses on capital preservation, relative value, and establishing close relationships with portfolio companies. FEAC expects that this multifaceted focus should generate consistent, attractive, risk-adjusted returns coupled with low volatility.

#### *Investment Selection*

FEAC has identified several factors it believes are important in evaluating investment opportunities. These criteria provide general guidelines for investment decisions. Each investment FEAC makes on behalf of Clients may not meet all of these criteria.

**Capital preservation/Relative value.** FEAC believes that the key to capital preservation is comprehensive and fundamental credit analysis. Accordingly, FEAC takes a long-term view of Client investments and portfolio with the perspective that most investments may need to endure through economic cycles. Relative value is an essential part of every investment decision. Relative value is determined in a variety of ways including comparisons to other opportunities available in the same asset class and with portfolio companies in the same or similar industries. Relative value is also analyzed across asset classes (senior vs. subordinate, secured vs. unsecured, debt vs. equity) to ensure that the return of a potential investment is appropriate relative to its position in the capital structure.

**Seasoned management with significant equity ownership.** Strong, committed management teams are important to the success of an investment and FEAC intends to invest in companies where FEAC believes strong management teams are either already in place or where new management teams have been identified. Additionally, FEAC generally requires the companies to have in place compensation provisions that appropriately incentivize management to succeed and to act in the Clients' interests as investors.

**Strong competitive position.** FEAC seeks to invest on behalf of Clients in companies that have developed competitive advantages and defensible market positions within their respective markets and are well positioned to capitalize on growth opportunities. The factors considered by FEAC in its analysis will generally include relative product pricing, product quality, customer loyalty, substitution risk, switching costs, patent protection, brand positioning and capitalization. FEAC seeks companies that demonstrate advantages in scale, scope, customer loyalty, product pricing or product quality versus their competitors that, when compared to their competitors, may help to protect their market position and cash flows. Furthermore, FEAC seeks companies that exhibit the potential to maintain sufficient cash flows to service their obligations in a range of economic environments.

**Exit strategy.** While certain investments may be repaid through operating cash flows of the company/borrower, FEAC expects that the primary means by which we exit investments on behalf of Clients will be through a payoff of our investments resulting from the company being acquired, a refinancing of our debt by another lender, an initial public offering of common stock,



a recapitalization, a refinancing or another transaction in the capital markets.

#### *Origination and Sourcing, Due Diligence and Investment Process*

FEAC takes a proactive, hands-on and creative approach to investment sourcing. FEAC's disciplined origination process includes proprietary tools and resources and employs a national platform with a regional focus. With offices in Boston, Chicago, and New York, FEAC has a deep and diverse relationship network in the debt capital and private equity markets. These activities and relationships provide an important channel through which the Fund generates investment opportunities consistent with its investment strategy. FEAC has activities and relationships with private equity sponsors, investment bankers, middle market senior lenders, commercial bankers (national, regional and local), lawyers, accountants and business brokers. FEAC actively utilizes these activities, relationships and networks to source and execute attractive investments, and maintain a database and set of reports where the details of all potential investment opportunities are tracked.

FEAC believes it employs a rigorous and disciplined underwriting and due diligence process. Its process includes a comprehensive understanding of a borrower's industry, market, operational, financial, organizational and legal position and prospects. It seeks borrowers who have proven management teams that have a vested interest in the company in the form of a meaningful level of equity ownership, who generate cash flow that is stable and predictable, and whose market position is defensible. FEAC will invest in companies with the expectation that Clients will own the investment through a complete business cycle, and possibly a recession, and FEAC determines the appropriate amount of debt for the company accordingly. In addition, FEAC views a sale of the company that might result in a refinancing Client's investments as a possibility but not an expectation. FEAC conducts reference and background checks on senior management for all investment transactions.

FEAC's due diligence typically includes the following elements (although not all elements will necessarily form part of every due diligence project):

**Portfolio Company/Issuer Characteristics.** key levers of the business including a focus on drivers of cash flow and growth; revenue visibility; customer and supplier concentrations; historical revenue and margin trends; fixed versus variable costs; free cash flow analysis; company versus industry performance; and sensitivity analysis around various future performance scenarios (with a focus on downside scenario analysis);

**Industry Analysis.** including the company's position within the context of the general economic environment and relevant industry cycles; industry size and growth rates; competitive landscape; barriers to entry and potential new entrants; product position and defensibility of market share; technological, regulatory and similar threats; and pricing power and cost considerations;

**Management.** including the quality, breadth and depth of the issuer's management; track record and prior experience; background checks; reputation; compensation and equity incentives; corporate overhead; motivation; and interviews with certain identified management, employees, customers and vendors;

**Financial Analysis.** an understanding of relevant financial ratios and statistics, including various leverage, liquidity, free cash flow and fixed charge coverage ratios; impact on ratios in

various future performance scenarios and comparison of ratios to industry competitors; satisfaction with the auditor of the financial statements; and quality of earnings analysis;

**Capital Structure.** diverse considerations regarding leverage (including understanding seniority and leverage multiples); ability to service debt; collateral and security protections; covenants and guarantees; equity investment amounts and participants (where applicable); and review of other significant structural terms and pertinent legal documentation; and

**Collateral and Enterprise Value.** analysis of relevant collateral coverage, including assets on a liquidation basis and enterprise value on a going concern basis; assignment of recovery percentages by type of hard asset; matrix analysis of cash flow and valuation multiples under different scenarios along with recovery estimates; and comparison to recent transaction multiples and valuations.

### **Tradable Credit Platform and Method of Analysis**

The investment process for the Tradable Credit platform of FEAC focuses on balancing capital preservation, current income and total return through a systematic approach to the management of credit risk. FEAC's goal is to invest in businesses which FEAC believes are at attractive valuations in various market environments. Investment selection begins with fundamental credit and economic analysis, risk classification and relative value assessment throughout the capital structure, and incorporates sophisticated portfolio credit risk measurements, and continuous relative value assessment based on credit quality, pricing, structure and liquidity. FEAC seeks to manage credit risk and maximize risk/return through disciplined credit quality evaluation, prudent portfolio diversification, portfolio analysis and proactive credit management. The objective of the investment process is to seek to provide as high a level of risk-adjusted returns consistent with investments in U.S. dollar-denominated senior bank loans. To the extent they are permitted by Client guidelines, the strategy may also include high yield securities, CLO debt or CLO equity, and special situations, including distressed bank loans and other distressed debt, and to a lesser extent public and private equities.

FEAC's Tradable Credit professionals employ a disciplined and structured investment process utilizing qualitative and quantitative analysis to consistently identify, measure and classify risk and return.

FEAC's qualitative approach focuses on developing the following:

- Macroeconomic outlook with industry analysis
- Fundamental analysis of a company's core competencies
- Credit and Collateral Ratings – qualitative modification of the Credit and Collateral Scores
- Sell rules or reasons to table a credit for further review and possible portfolio action
- Advanced Research – in-depth research into sectors of potential interest

FEAC's quantitative approach is built on cash flow modeling, and credit and collateral scoring.

FEAC uses its Leveraged Credit Assessment Platform (“LCAP”) to perform multi-variant simulations to evaluate the sensitivities of a credit or industry to various events that can impact a credit’s performance. LCAP provides a consistent, analytic framework that generates measurable output concerning overall credit profiles, profitability, liquidity, leverage and collateral.

Credit analysis is the cornerstone of FEAC’s Tradable Credit platform. A potential investment’s credit risk profile is established through fundamental analysis of many factors, including past financial performance, business stability and industry trends, competitive factors, economic vulnerability, customer and supplier concentration, and other factors. FEAC performs stress cases on each potential investment based on various default scenarios.

### **Environmental, Social & Governance Analysis**

Subject to available information, FEAC seeks to evaluate environmental, social and governance (“**ESG**”) considerations in conjunction with traditional financial factors to broadly analyze credit quality and risk. FEAC’s ESG Investment Policy establishes the guidelines that FEAC seeks to follow in the course of its due diligence, credit research, security selection, portfolio oversight and risk management processes. FEAC does not, as a general matter, promote ESG considerations or make investments on the basis of sustainability. ESG is only one of many considerations that FEAC takes into account when making investment decisions, and other investment related considerations can be expected in certain circumstances to outweigh ESG considerations. While FEAC may consider ESG factors when making an investment decision, FEAC does not pursue ESG-based investment strategies or limit its investments to those that meet specific ESG criteria or standards.

### **Risk Factors**

#### *Principal Risks to Clients and Investors*

Set forth below is a summary of certain risk factors applicable to the advisory services provided by FEAC and is not an exhaustive list. The summary is qualified in its entirety by the risk factors set forth in the applicable Client Agreements and Supplemental Disclosures. The list of risk factors does not purport to be a complete explanation of the risks involved in FEAC’s advisory services. In particular, investors in private funds, registered funds or CLOs managed by FEAC should consult the Clients Agreements and Supplemental Disclosures of the relevant investment vehicle.

Investors should have the financial ability and willingness to accept the risk characteristics of the relevant investment vehicle. There can be no assurance that FEAC will be able to achieve its investment objectives or that investors will receive a return of their capital. Investing involves, significant risks, including potential for loss, and not all risks can be mitigated.

The Direct Lending and Tradable Credit strategies, and fixed income investing more broadly are subject to a number of risks that may affect the value of investments, including:

**Credit Risk.** The risk that the inability or perceived inability of the issuer to make interest and principal payments will cause the value of its securities to decrease and cause a loss. If an issuer’s financial health deteriorates, it may result in a reduction of the credit rating of the issuer’s securities and may lead to the issuer’s inability to honor its obligations, including making

timely payment of interest and principal. Although a downgrade of a bond's credit ratings may not affect its price, a decline in credit quality may make bonds less attractive, thereby increasing the yield on the bond and driving down the price. Declines in credit quality can result in bankruptcy for the issuer and permanent loss of investment.

Rating agencies are private services that provide ratings of the credit quality of fixed income securities. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. Further, rating agencies may also lose credibility or end coverage of a previously rated security. FEAC does not rely solely on credit ratings, and develops its own analysis of issuer credit quality. FEAC may purchase unrated securities if it determines that the security is of comparable quality to a rated security. Unrated securities may be less liquid than comparable rated securities and involve the risk that FEAC may not accurately evaluate the security's comparative credit rating.

**Structured Finance Obligations Risk.** Investing in structured finance obligations such as CLOs entails a variety of risks, including but not limited to: prepayment risk, credit risk, leverage risk, liquidity risk, market risk, legal risk, interest rate risk as well as risks associated with derivatives markets, including the risk of counterparty default. Structured finance obligations generally involve securities that are considered "re-packaged." The performance of structured finance obligations will be affected by a variety of factors, including the level and timing of payments and recoveries on and the characteristics of the underlying re-packaged securities, remoteness of those assets from the originator or transferor, extent of subordination to other securities issued by the issuer of such structured finance obligation and the adequacy of and ability to realize upon any related collateral.

**Interest Rate Risk** is the risk that fixed-income securities will decline in value because of changes in interest rates. Generally, the value of debt securities falls as interest rates rise. Specific fixed-income securities differ in their sensitivities to changes in interest rates depending on their particular characteristics. Fixed-income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is determined by a number of factors including coupon rate, whether the coupon is fixed or floating, time to maturity, call or put features, and various repayment features. The current environment has been one of rapid interest increases, and interest rate volatility is expected to continue in the near to medium term.

**Leverage Risk** magnifies the potential gains and losses from an investment and increases the risk of loss of capital. To the extent that income derived from investments purchased with borrowed funds is greater than the cost of borrowing, net income will be greater than if borrowing had not been used. Conversely, if the income from investments purchased with borrowed funds is not sufficient to cover the cost of borrowing, the net income will be less than if borrowing had not been used. The extent to which the gains and losses associated with leveraged investing are increased will generally depend on the degree of leverage employed. Leverage may also be limited with respect to specific securities held in a portfolio due to margin rule considerations.

Additionally, interest or similar costs associated with such leverage will be a direct or

indirect expense of the Client, and, to the extent not covered by net returns attributable to the assets acquired, will cause the returns of such Clients to be lower than if they have not used leverage. Interest or similar costs associated with leverage may be based on one or more interest rate indices, which can be different from the interest rate indices applicable to the assets supporting such leverage. Any such mismatch will not necessarily be hedged. If an event of default occurs under the related facility, the lenders or other counterparties to the facility (or some designated portion or agent thereof) would be able to exercise remedies with respect thereto including but not limited to the liquidation of or taking title to the collateral for such facility which will terminate the rights thereto of the Client and could result in a full or partial loss of the Client's direct or indirect investment therein.

**Liquidity Risk** exists when particular investments are difficult to purchase or sell. During periods of market turbulence or low trading activity, in order to meet Client withdrawals, it may be necessary for FEAC to sell securities at prices that are less advantageous. Additionally, the market for certain investments may become illiquid independent of any specific adverse changes in the conditions of a particular issuer. Smaller portfolios may have increased exposure to liquidity risk.

**Management Risk** exists because securities selected by FEAC may not perform to expectations. This could result in underperformance compared to other portfolios with similar investment objectives.

**Market Risk** involves the possibility that the value of the investments will decline, sometimes unpredictably or rapidly, due to drops in the securities markets generally or particular industries represented in the securities markets. The prices of and the income generated by securities held may decline in response to certain events, including those directly involving the companies and governments whose securities are owned in portfolios, general economic and market conditions, regional or global instability, and interest rate fluctuations.

Notwithstanding the existence of a public market for particular financial instruments, such instruments may be thinly traded or may cease to be traded after an investment is made in them. In addition to being relatively illiquid, such instruments may be issued by unstable or unseasoned issuers or may be highly speculative.

**Prepayment Risk.** If interest rates fall, it is possible that issuers of certain bonds will call, or prepay, their bonds before their maturity date. In addition, bank loans are generally prepayable at par and can be prepaid at any time. If a call is exercised by the issuer during a period of declining interest rates, FEAC is likely to have to replace the called security with a lower yielding security which would decrease net investment income. FEAC cannot predict the actual rate of prepayments that will be experienced.

**Economic Conditions.** Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws, monetary policy and innumerable other factors can affect substantially and adversely a Client's investments.

Due to global supply chain disruptions, a rise in energy prices, strong consumer demand as economies continue to reopen and other factors, inflation has accelerated in the U.S. and globally. Certain of our investments are in industries that have been impacted by inflation. Recent

inflationary pressures have increased the costs of labor, energy and raw materials and have adversely affected consumer spending, economic growth and our borrowers' operations. If such borrowers are unable to pass any increases in their costs of operations along to their customers, it could adversely affect their operating results and impact their ability to pay interest and principal on the loans effected by FEAC, particularly if interest rates rise in response to inflation. The Federal Reserve has raised, and has indicated its intent to continue raising, certain benchmark interest rates in an effort to combat inflation. As such, FEAC believes inflation is likely to continue in the near to medium-term, particularly in the U.S., with the possibility that monetary policy may tighten in response. Persistent inflationary pressures and supply chain issues could affect our borrowers' profit margins. In addition, the inflation-adjusted value of the principal on FEAC's loans investments could decrease thus impacting the value of investments held by Clients.

**Bankruptcy Risk.** Leveraged companies could experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer could have adverse and permanent effects on the issuer. If the proceeding is converted to a liquidation, it is possible that the value of the issuer will not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs of a bankruptcy proceeding are frequently high and are paid out of the debtor's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our Clients' influence with respect to the class of securities or other obligations it owns could be reduced by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that could be made. In addition, certain claims that have priority by law (for example, claims for taxes) could be substantial. With respect to investments in, or held through, CLOs or other leveraged subsidiaries, bankruptcy risk could be further complicated.

**Analytical Model Risks.** FEAC employs certain strategies which depend upon the reliability, accuracy and analyses of its analytical models. To the extent such models (or the assumptions underlying them) do not prove to be correct, the investments may not perform as anticipated, which could result in substantial losses. All models ultimately depend upon the judgment of the investment team and the assumptions embedded in the models.

**Diversification.** Although diversification is used as one of the tools of risk management, FEAC is not always restricted as to the percentage of the assets that may be invested in any particular instrument or market in order to optimize the risk-reward profile. To the extent FEAC concentrates investments in a particular issuer, security, currency or market, the investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular issuer, security, currency or market.

**Changes in Law.** Changes in non-U.S. or U.S. state and federal laws applicable to FEAC or its Clients, and other securities or instruments in which a Client invests may negatively affect such

Client's returns. The investment management industry, and private investment funds in particular, have been and are expected to continue to be subject to increased regulation. The regulatory environment for private investment funds continues to evolve globally, and legal, tax, and regulatory changes of private investment funds may adversely affect Clients.

The global financial markets continue to be subject to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an emergency basis with little or no notice, with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated or otherwise negatively impacted. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

**Cybersecurity Event.** The failure in cyber security systems, as well as the occurrence of events unanticipated in FEAC's disaster recovery systems and management continuity planning, could impair FEAC's ability to conduct business effectively. The occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in FEAC's disaster recovery systems, or a support failure from external providers, could have an adverse effect on FEAC's ability to conduct business and on FEAC results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of FEAC's investment adviser's senior management and employees were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

FEAC depends heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems could be subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering by third parties, including activist, criminal, nation-state or terrorist actors. Like other companies, FEAC experiences threats to its data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. If one or more of these events occurs, it could potentially jeopardize confidential, proprietary and other information processed and stored in, and transmitted through, FEAC's computer systems and networks, or otherwise cause interruptions or malfunctions in operations, which could result in damage to FEAC's reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.

**Uncertain Economic, Social and Political Environment.** Terrorist acts, acts of war, global health emergencies or natural disasters may disrupt our operations, as well as the operations of the businesses in which Clients invest. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. Such acts have created, and continue to create, social, economic and

political uncertainties and have contributed to global economic instability. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Additionally, a serious pandemic or a natural disaster could severely disrupt global, national and/or regional economies. No assurance can be given as to the effect of these events on the value of Clients' investments. Future terrorist activities, military or security operations, global health emergencies or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which FEAC invests directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks, health emergencies and natural disasters are generally uninsurable. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of FEAC and its investments on behalf of Clients to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments on behalf of Clients and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon Clients' investments. Many investments on behalf of Clients may be susceptible to economic slowdowns or recessions and may be unable to repay our debt investments during these periods.

The continued global outbreak of COVID-19 has disrupted economic markets and led to global economic downturn, the full economic impact of which is still uncertain. The outbreak and efforts to contain its spread have resulted at times in closing borders and quarantines, restricting international and domestic travel, enhanced health screenings, cancellations, disrupted supply chains and customer activity, responses by businesses (including changes to operations, shutdowns, and reducing staff), and have produced general concern and uncertainty. Health crises caused by the recent outbreak have also heightened other preexisting political, social and economic risks in certain countries and regions.

In the past, instability in the global capital markets has resulted in disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major domestic and international financial institutions. In particular, in past periods of instability, the financial services sector was negatively impacted by significant write-offs as the value of the assets held by financial firms declined, impairing their capital positions and abilities to borrow, lend and invest.

In addition, continued uncertainty surrounding the negotiation of trade deals between the United Kingdom and the European Union following the United Kingdom's exit from the European Union and uncertainty between the United States and other countries, including China, with respect to trade policies, treaties, and tariffs, among other factors, have caused disruption in the global markets. There can be no assurance that market conditions will not worsen in the future.

Furthermore, Russia's military invasion of Ukraine in February 2022, the resulting responses by the United States and other countries, and the potential for wider conflict could



increase volatility and uncertainty in the financial markets and adversely affect regional and global economies. The United States and other countries have imposed broad ranging economic sanctions on Russia and certain Russian individuals, banking entities and corporations as a response to Russia's invasion of Ukraine. The United States and other countries have also imposed economic sanctions on Belarus and may impose sanctions on other countries that support Russia's military invasion. These sanctions, as well as any other economic consequences related to the invasion or cyberattacks on governments, companies or individuals, have already decreased, and may have further negative impact on the economy and business activity globally (including in the countries in which FEAC invests), and therefore could adversely affect the performance of the investments FEAC makes on behalf of Clients. Furthermore, the conflict between the two nations and the varying involvement of the United States and other NATO countries could preclude prediction as to their ultimate adverse impact on global economic and market conditions, and, as a result, presents material uncertainty and risk with respect to FEAC and the performance of its investments or operations, and the ability of FEAC to achieve Clients' investment objectives. Additionally, to the extent that third parties, investors, or related customer bases have material operations or assets in Russia or Ukraine, they may have adverse consequences related to the ongoing conflict.

**Natural Disaster; Public Health Emergencies; COVID-19.** Natural or environmental disasters, such as earthquakes, fires, floods, hurricanes, tsunamis and other severe weather-related phenomena, generally, have been, and can be, highly disruptive to economies and markets, adversely impacting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of clients' investments. Given the interdependence among global economies and markets, conditions in one country, market, or region are increasingly likely to adversely affect markets, issuers, and/or foreign exchange rates in other countries, including the United States.

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to Clients.

Any such event(s) could have a significant adverse impact on the value and risk profile of investments made by FEAC on behalf of Clients. Most recently, the outbreak of COVID-19, efforts to contain its spread, and surges in demand for goods and services in regions where it has generally abated have resulted in, among other things, border closings and other significant travel restrictions and disruptions, significant disruptions to business operations, supply chains, prices and customer activity including government shutdowns of sectors of the economy, event cancellations and restrictions, service cancellations, reductions, and other changes, significant challenges in healthcare service preparation and delivery, and prolonged quarantines, as well as general concern and uncertainty. These impacts have caused significant market volatility, exchange trading suspensions and closures, and declines in global financial markets, which have caused losses for investors broadly.

COVID-19 has significantly diminished global economic production and activity of all

kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment. The COVID-19 pandemic and its effects may last for an extended period of time.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to Clients. The extent of the impact on each Client's investments objectives and FEAC's operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of FEAC to source, diligence and execute advantageous investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy that FEAC intends to pursue, all of which could adversely affect FEAC's ability to fulfill its clients' investment objectives. They may also impair the ability of counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of FEAC may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder FEAC's ability to conduct its affairs and activities as it normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing its ability to make accurate and timely projections of financial performance. In addition, the outbreak of COVID-19 and measures taken to mitigate its effects could result in disruptions to the services provided to FEAC by its service providers.

Any of the foregoing disruptions could prevent FEAC from executing advantageous investment decisions in a timely manner and negatively impact FEAC's ability to achieve Clients' investment objectives. Any such event(s) could have a significant adverse impact on the value and risk profile of investments with FEAC.

**Monetary Policy and Governmental Intervention Affecting the Broader Investment Climate.** In response to the global financial crisis in 2008, the Board of Governors of the U.S. Federal Reserve System (the "Federal Reserve") and certain non-U.S. central banks, including the European Central Bank, acted to hold interest rates to historic lows in addition to taking other governmental actions to stabilize markets and seek to encourage economic growth. More recently, however, the Federal Reserve followed by other non-U.S. central banks, have increased

interest rates significantly and rapidly to combat inflation in the U.S. and other economies around the globe. As of the date of this annual update, additional rate increases are possible. The sharp change in monetary policy, and pace and magnitude of interest rate increases since the beginning of 2022 may continue to have a significant impact on the U.S. and world economies generally, which in turn may affect the performance of Clients' investments on an absolute and/or relative basis. General interest rate volatility may have a negative impact on Clients' investments and investment opportunities, and, accordingly, may have an adverse effect on Client's investment objectives and rate of return on investment capital.

In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the global financial crisis have not been fully implemented in all cases and therefore the ultimate effects thereof are difficult to predict or measure with certainty.

**Custodial Risk.** There are risks involved in dealing with any custodians who hold assets for FEAC. It is expected that all cash and other non-loan assets deposited with custodians will be clearly identified as being assets of FEAC. However, it may not always be possible to achieve this segregation and there may be practical, or timing problems associated with enforcing FEAC's rights to their assets in the case of an insolvency of any custodian.

**Fraud, Misrepresentation or Omission by a Borrower.** The value of an investment made by FEAC may be affected by fraud, misrepresentation or omission on the part of the borrower to which the loan relates, by parties related to the borrower or by other parties to the loan (or related collateral and security arrangements). Such fraud, misrepresentation or omission may adversely affect the value of the collateral underlying the loan in question or may adversely affect FEAC's ability to enforce their contractual rights under the loan or for the borrower of the loan to repay the loan or interest on it or its other debts.

**Competition for Investment Opportunities.** FEAC operates in a highly competitive market for investment opportunities. FEAC will compete for investments with various other investors, such as other public and private funds, commercial and investment banks, CLOs, business development companies, commercial finance companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Some competitors may have a lower cost of funds and access to funding sources that are not available to FEAC and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. Some of a Client's competitors may have higher risk tolerances or different risk assessments or lower return thresholds than us, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investment that FEAC wants to make. As a result, competitive pressures faced by a Client may have a material adverse effect on a Client's investment performance. Also, as a result of this competition, Clients may not be able to secure attractive investment opportunities from time to time and may not be able to identify and make investments that meet a client's investment objectives. FEAC may also compete with its affiliates, including Napier Park, for potential investments.

**Client Dependence on Direct Lending Origination Capability.** It is anticipated that a substantial amount of the loans acquired by Clients investing in the Direct Lending platform will be originated by FEAC. Therefore, Clients, as well as investors in Clients, as applicable, will

depend on the ability of FEAC to originate loans and to perform credit underwriting due diligence when acquiring loans, or recommending loans to be acquired, and to manage, leverage (if applicable), and dispose of such loans, as appropriate. There can be no assurance that FEAC will continue to originate loans of equal or better quality than those originated in the past. A decline in the business and business activity of FEAC, including a decline in the availability of investable capital, would have adverse consequences for Clients and investors. If FEAC suffers from a decline in business, or loosens its credit standards, the loans originated by FEAC may suffer in credit quality. In order to maintain levels of business activity and/or profitability, FEAC could determine to make concessions to obligors on loans. In addition, there is no assurance that FEAC will continue to originate loans suitable for Clients' investment strategies or originate them in the same volume, which could have an adverse impact on Clients.

**Reliance on Management.** All decisions with respect to the management of investments for a Client will be made by FEAC, and thus Clients and investors must rely on the ability of FEAC to make appropriate investments for the Client and to manage and dispose of such investments. In addition, the timing and form of distributions from fund Clients to investors will be subject to the discretion of FEAC. Investors in funds managed by FEAC will generally have no right or power to participate in the affairs or investment activities of a fund Client. Accordingly, no person should commit capital to an FEAC-managed fund unless such person is willing to entrust all aspects of the management of such fund and the investments of such fund to FEAC.

**Dependence on Key Professionals.** The ability of a Client to achieve its investment objective will be dependent on the diligence, skill, judgement, business contacts and professional reputations of senior investment professionals or other key personnel of FEAC. These individuals possess substantial experience and expertise in investing through various business cycles, are responsible for locating and executing Clients' investments, and have significant relationships with the institutions that are the source of many of our investment opportunities. Therefore, the departure of one or more of these individuals could have a material adverse effect on the ability of the Client to achieve its investment objectives, cause certain investors in funds managed by FEAC to withdraw capital or otherwise have a material adverse effect on our business. Further, if such individual join competitors or form competing companies, it could result in the loss of significant investment opportunities.

**Other Obligations of Investment Professionals.** Although the senior investment professionals of FEAC intend to devote such time as is necessary to conduct the business and affairs of each Client, they are involved in other activities of the firm, including, but not limited to, managing investments, advising or managing Clients whose investment objectives are the same as or overlap with those of other Clients, participating in actual or potential investments of multiple Clients, providing consulting, merger and acquisition, structuring or financial advisory services, including with respect to actual, contemplated or potential investments of a Client, or acting as a director, officer or creditors' committee member of, adviser to, or participant in, any corporation, fund, trust or other business entity. As such, Clients may co-invest in issuers and/or engage in different or inconsistent investment activities vis-à-vis other Clients.

Conflicts of interest may arise in allocating time, services, or resources among the investment activities of Clients, FEAC, and other FEAC-affiliated entities. Additionally, FEAC and its affiliates may, and expect to, receive fees or other compensation from third parties in

connection with these investment activities and such compensation shall be for their own account.

**Restrictions on Transactions Due to Other FEAC Businesses.** FEAC and its affiliates sponsor and advise a range of types of clients and expects to continue to develop its investment advisory and related businesses by forming additional vehicles and obtaining new clients in the future. FEAC, its affiliates and their respective employees may acquire material non-public information or other confidential information about a company while pursuing an investment opportunity or while monitoring an investment (including service on a portfolio company's board of directors, steering committee or in a similar capacity) for a particular client, which may give rise to a potential conflict of interest when it results in FEAC having to restrict the ability of other Clients to trade in the securities of such company. With limited exceptions, FEAC does not establish information barriers between its internal investment teams or with FEIM. In addition, a Client or a client of an affiliate of FEAC may hold positions in securities or other assets or be subject to contractual or legal restraints that could prevent a different Client from being able to initiate a transaction that it otherwise might have initiated or to sell an investment that it otherwise might have sold or, in its judgment, such position(s) or restraint(s) may make such a transaction inadvisable. An information barrier and other policies and procedures have been implemented between FEAC and FEIM, on one hand, and Napier Park, on the other. While such policies and procedures are designed to address conflicts of interest, there can be no assurance that any such policies and/or procedures will be effective in accomplishing their stated purpose and/or that they do not otherwise adversely affect the ability of the Clients (or clients of Napier Park) to effectively achieve their investment objectives.

The investment activities of one or more Clients may be inconsistent with the investment activities of another Client. Furthermore, subject to our investments allocation policy, FEAC may have or develop business relations through our other businesses or have duties to Clients that FEAC may consider in determining whether to undertake a transaction, with the result that a Client may not participate in certain transactions in which it might otherwise have participated. In certain circumstances, FEAC may be contractually required to offer certain types of investment opportunities to certain Clients before such opportunities may be offered more broadly to all Clients, and therefore, some Clients may not be offered certain investment opportunities.

**Conflicts with Affiliates' Investments.** The 1940 Act prohibits or restricts "affiliated persons" of a registered investment company or "affiliated person[s] of such a person" from knowingly selling any security or other property to the registered investment company. Blackstone and Corsair hold positions in certain of their respective investee companies that exceed thresholds that would cause certain transactions in those investee companies by FEAC-managed registered fund Clients to be considered prohibited "affiliated transactions" under the 1940 Act. While not expected, Napier Park could also hold positions in certain companies that exceed thresholds that would cause certain transactions in those investee companies to also be prohibited affiliate transactions. In order avoid such transactions, FEAC maintains a restricted list that prevents FEAC from investing assets of registered fund Clients in companies over which Blackstone or Corsair (and, to the extent applicable, Napier Park) have or may have control, as defined by the 1940 Act. This restricted list limits the investment opportunities for registered fund Clients. Moreover, with respect to FEAC's clients that are subject to the Employee

Retirement Income Security Act of 1974 ("ERISA"), FEAC must avoid transactions with issuers owned in significant part by Blackstone, Corsair and Napier Park because of prohibitions under ERISA. Similarly, the elimination of the information barrier between FEIM and FEAC, as described in further detail under Item 10, below, has required FEAC to add the names of companies with respect to which FEIM receives material, non-public information, also limiting Clients' investment opportunities.

**Concentration.** A concentration in a Client's portfolio of loans to a limited number of underlying loan obligors or of loans in a limited number of industries or geographic regions or with a limited type of collateral securing such loans could impair the Client's portfolio if the underlying obligors, industries or geographic regions were to experience economic difficulties or if the asset class collateralizing the loans were to fall out of favor in the market. As a result, obligors could default on their loans, and the Client could be unable to recover the full amount owed on such loans. Under such circumstances Clients (and investors, as applicable) might not realize their rate of return objectives and could suffer losses.

**Limited Control of Underlying Investments; Lack of Information.** FEAC does not have the right to participate in the management of each investment. Investments by many of our Clients will include debt instruments and other securities of companies that FEAC does not control. The day-to-day operations of issuers will be the responsibility of such company's management team. Clients are therefore subject to the risk that an issuer may make business decisions with which FEAC disagrees, and the stockholders and management of such company may take risks or otherwise act in ways that do not serve a Client's interests. As a result, an issuer may make decisions that could decrease the value of a Client's investment and, in turn, have a material adverse effect on the value of the interests. Additionally, issuers may not provide timely or complete information to FEAC and FEAC would be unable to cause such issuers to provide such information. Such lack of information could have adverse consequences for Clients to the extent FEAC is unable to properly evaluate an issuer's continued operations or where a lack of information impairs FEAC's ability to value the related investment.

**Participation on Creditors' Committees; Lender Liability; Equitable Subordination.** Representatives of FEAC sometimes participate on committees formed by creditors to negotiate with loan obligors in connection with loan restructurings or bankruptcies. There can be no assurance that such representatives would be successful in obtaining results most favorable to a particular Client in connection with such negotiations and significant legal fees and other expenses may be incurred in connection with such representation, all or a portion of which may be borne by the related Client(s). Judicial decisions have upheld the right of loan obligors to sue lending institutions on the basis of various legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the loan obligor or has assumed a degree of control over the loan obligor resulting in the creation of a fiduciary duty owed to the loan obligor or its other creditors or equity owners. To the extent that FEAC participates on such committees, Clients could become subject to allegations of lender liability. FEAC cannot provide assurance that these claims will not arise or that it (or such Client) will not be subject to significant liability if a claim of this type did arise.

**Valuation Risk.** For loans and other assets that are not publicly traded or where readily

available market prices are not available, FEAC fair values such loans in accordance with its valuation policies and procedures. Such valuations require judgment, are inherently uncertain, can fluctuate and are generally based on estimates. It is possible that FEAC's determinations of fair value will differ materially from the values that would have been used if an active market for the relevant assets existed. If FEAC's determinations regarding the fair value of such loans are materially higher than the values that are ultimately realized upon the sale of such loans, the returns to Clients and investors would be adversely affected.

The amount and timing of fees received by FEAC or its affiliates with respect to a Client will depend in part on the value of such Client's assets and liabilities. If the valuations are incorrect, the amount of fees received, or the timing of receipt of such fees, could also be incorrect.

FEAC has adopted valuation policies and procedures for use in the valuation of assets held by Clients. FEAC has also established a Pricing Committee to oversee the valuation process in accordance with the policies and procedures. FEAC values assets at fair value generally in accordance with U.S. generally accepted accounting principles ("GAAP"). Where FEAC believes a reliable market price is readily ascertainable for an asset, FEAC will value such asset at such current market price. Assets for which FEAC believes reliable market prices are not readily ascertainable are fair valued by FEAC in good faith and in accordance with its policies and procedures.

**Overlapping Investments with Other Clients.** From time to time, multiple Clients of FEAC acquire or hold positions in the same investments. Such investments and transactions can raise potential conflicts of interest for Clients, particularly if different Clients invest in different classes or types of securities or investments of the same underlying company. In that regard, actions may be taken by some Clients that may be inconsistent, if not adverse to other Clients, including, but not limited to, interests in different parts of a company's capital structure during a restructuring, bankruptcy or other insolvency proceeding or similar matter.

Where Clients invest in different parts of the capital structure of an issuer, their respective interests may diverge significantly in the case of financial distress of the company. In a bankruptcy proceeding, a Client's interest may be subordinated or otherwise adversely affected by virtue of another Client's involvement and actions relating to their investment. This may result in loss or substantial dilution of one Client's investment, while another Client recovers all or part of amounts due to it. In addition, where one Client is a creditor of an issuer in which another Client holds more junior securities, that Client may take actions in its own interests with respect to its rights as a creditor (e.g., with respect to breaches of covenants) that may be adverse to the interests of the other Client. There can be no assurance that the terms of or the return on each Client's investment will be equivalent to or better than the terms of or the returns obtained by other Clients participating in the transaction. Our ability to implement a Client's strategies effectively may be limited to the extent that contractual obligations entered into in respect of investments made by other Clients impose restrictions on Clients engaging in transactions that FEAC may otherwise be interested in pursuing.

**Subscription Lines.** Certain private fund Clients are permitted to enter into a subscription line with one or more lenders in order to finance their operations (including the acquisition of investments). Fund-level borrowing subjects fund investors to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured

by pledges of the right to call capital from investors, investors may be obligated to contribute capital on an accelerated basis if the fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any investor claim against the fund would likely be subordinate to the fund's obligations to a subscription line's creditors.

In addition, fund-level borrowing will result in incremental expenses that will be borne by the Client's investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to the maintenance, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the Client's investors and the terms of the governing documents, it may be higher than the interest rate an investor could obtain individually. To the extent a particular investor's cost of capital is lower than the Client's cost of borrowing, fund-level borrowing can negatively impact an investor's overall individual financial returns even if it increases the Client's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of fund-level borrowing typically delays the need for investors to make contributions to a Client, which in certain circumstances enhances the Client's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of FEAC and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Clients), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Client nor its investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement frequently will contain other terms that restrict the activities of a Client and its investors or impose additional obligations on them. For example, a subscription line may impose restrictions on FEAC's ability to consent to the transfer of an investor's interest in the Client or impose concentration or other limits on the Client's investments. In addition, in order to secure a subscription line, FEAC may request certain financial information and other documentation from its investors to share with lenders. FEAC will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more investors.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows FEAC to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for investors that would not arise had FEAC called smaller amounts of capital incrementally over time as needed by a Client. This risk would be heightened for an investor with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the investor to meet the accumulated, larger capital calls at the same time. Subject to



the applicable Client Agreement, FEAC is authorized to use fund-level borrowing to pay management fees and to reimburse FEAC for expenses incurred on behalf of the Client. A Client is also permitted to utilize fund-level borrowing when FEAC expects to repay the amount outstanding through means other than investor capital, including as a bridge for equity or debt capital with respect to an investment. If the Client ultimately is unable to repay the borrowings through those other means, investors would end up with increased exposure to the underlying investment, which could result in greater losses.

**Risks Associated with “Brexit.”** On March 29, 2017, the United Kingdom (“UK”) formally notified the European Council of its intention to leave the European Union (“EU”). The UK formally left the EU on January 31, 2020, and entered a transition period that ended on December 31, 2020. On December 30, 2020, the UK government and the EU Commission agreed to a trade and cooperation agreement governing their future relationship; that agreement came into force on May 1, 2020.

The terms of UK’s ongoing and future relationship with the EU are still uncertain, including the extent to which UK businesses will have access to the EU single market and the extent to which EU businesses have access to the UK market. There is also risk of significant disruption to trade between the UK and the EU, particularly as new trade arrangements are intended to be ratified and implemented.

The impact of Brexit on the UK’s and EU’s economies could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on the UK and/or EU for their business activities and revenues. Any further exits from the EU, or an increase in the belief that such exits are likely or possible, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties.

There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on FEAC and/or Clients’ investments objectives. The legal, political and economic uncertainty generally resulting from the UK’s exit from the EU may adversely affect both FEAC and/or Clients, as applicable. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

**LIBOR.** The London Interbank Offered Rate, or “LIBOR,” has historically been the principal floating rate benchmark in the financial markets. However, as a result of longstanding regulatory initiatives, LIBOR is being discontinued. Its discontinuation has affected and will continue to affect the financial markets generally and may also affect our operations, finances and investments specifically. The date of discontinuation will vary depending on the LIBOR currency and tenor. In March 2021, the UK FCA, which is the regulator of the LIBOR administrator, announced that LIBOR settings will cease to be provided by any administrator or will no longer be representative after specified dates, which will be June 30, 2023, in the case of the principal U.S. dollar LIBOR tenors (overnight and one, three, six and 12 month), and December 31, 2021, in all other cases (i.e., one week and two month U.S. dollar LIBOR and all tenors of non-U.S. dollar LIBOR). Thus, many existing LIBOR contracts will transition to another benchmark after June 30, 2023 or, in some cases, after December 31, 2021. For some existing LIBOR-based obligations, the contractual consequences of the discontinuation of LIBOR may not be clear. In the United States, there have been various efforts to identify a set of alternative reference interest rates for U.S. dollar LIBOR. The market has generally coalesced around recommendations from the

Alternative Reference Rates Committee (the “ARRC”) convened by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York. The ARRC has recommended that U.S. dollar LIBOR be replaced by rates based on the Secured Overnight Financing Rate (“SOFR”) plus, in the case of existing LIBOR contracts and obligations, a spread adjustment. As a consequence of the FCA announcement described above (and a related announcement from the LIBOR administrator), the spread adjustments for different tenors of U.S. dollar LIBOR have been set. The FCA and certain U.S. regulators have emphasized that, despite expected publication of U.S. dollar LIBOR through June 30, 2023, no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021 and that, for certain purposes, market participants should transition away from U.S. dollar LIBOR sooner. Although the foregoing reflects the likely timing and certain details and consequences of the LIBOR discontinuation, there is no assurance that LIBOR, of any particular currency and tenor, will continue to be published until any particular date or in any particular form.

Financial markets, particularly the trading market for LIBOR-based obligations, may be adversely affected by the discontinuation of LIBOR, the remaining uncertainties regarding its discontinuation, the alternative reference rates that will be used when LIBOR is discontinued (including SOFR-based rates) and other reforms related to LIBOR. There is no assurance that SOFR-based rates, as modified by an applicable spread adjustment, will be the economic equivalent of U.S. dollar LIBOR. SOFR-based rates will differ from U.S. dollar LIBOR, and the differences may be material. As a result of the LIBOR discontinuation, a Client’s performance or net asset value may be adversely affected. In addition, SOFR-based rates or other alternative reference rates may be an ineffective substitute for LIBOR, resulting in prolonged adverse market conditions for FEAC and its Clients. There also remains uncertainty and risk regarding the willingness and ability of issuers to include enhanced provisions in new and existing contracts or instruments. Abandonment of or modifications to LIBOR could lead to significant short-term and long-term uncertainty and market instability. If LIBOR ceases to exist, we and our portfolio companies may need to amend or restructure our existing LIBOR-based debt instruments and any related hedging arrangements that extend beyond 2023, which may be difficult, costly and time consuming. In addition, from time to time we invest in floating rate loans and investment securities whose interest rates are indexed to LIBOR. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR, or any changes announced with respect to such reforms, may result in a sudden or prolonged increase or decrease in the reported LIBOR rates and the value of LIBOR-based loans and securities, including those of other issuers we or our affiliates currently own or may in the future own. It remains uncertain how such changes would be implemented and the effects such changes would have on us, issuers of instruments in which we invest and financial markets generally.

The publication of SOFR began in April 2018, and, therefore, it has a very limited history. In addition, the future performance of SOFR cannot be predicted based on its limited historical performance. Future levels of SOFR may bear little or no relation to the historical actual or historical indicative data. Prior observed patterns, if any, in the behavior of market variables and their relation to SOFR, such as correlations, may change in the future. Because only limited historical data has been released by the Federal Reserve Bank of New York, such analysis inherently involves assumptions, estimates and approximations. The future performance of

SOFR is impossible to predict and therefore no future performance of SOFR may be inferred from any of the historical actual or historical indicative data. Hypothetical or historical performance data are not indicative of, and have no bearing on, the potential performance of SOFR or any SOFR-linked investments.

SOFR is a relatively new rate, and the Federal Reserve Bank of New York (or a successor), as administrator of SOFR, may make methodological or other changes that could change the value of SOFR, including changes related to the methods by which SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or the averages or periods used to report SOFR. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on SOFR-linked investments, such as loans and notes, which may adversely affect the trading prices and marketability of such investments. The administrator of SOFR may withdraw, modify, amend, suspend or discontinue the calculation or dissemination of SOFR in its sole discretion and without notice and has no obligation to consider the interests of holders of such investments in calculating, withdrawing, modifying, amending, suspending or discontinuing SOFR.

FEAC's systems and processes have been updated to handle loans with reference rates other than LIBOR, but the expected discontinuation of LIBOR could still have a significant impact on FEAC and Clients. The dollar amount of any debt investments and borrowings that are linked to LIBOR with maturity dates after the anticipated discontinuation date of 2023 could be material. The transition away from LIBOR has involved significant operational efforts, including, but not limited to, amending existing loan agreements with borrowers on investments that may have not been modified with fallback language and adding effective fallback language to new agreements in the event that LIBOR is discontinued before maturity. Such efforts may continue and result in operational challenges in the future. Beyond these challenges, we anticipate there may be additional risks to our current processes and information systems during the transition away from LIBOR.

**Limited Access to Information.** The rights of a Client or investor to information regarding investments in many cases will be limited. In particular, it is anticipated that FEAC will obtain certain types of material information from or relating to an investment that will not be disclosed to Clients or investors, as applicable, because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of FEAC's control. Decisions by FEAC or its affiliates to withhold information may have adverse consequences for Clients or investors, as applicable, in a variety of circumstances. For example, an investor that seeks to transfer its interest in a private fund Client may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a Client or investor to monitor FEAC and its performance. Additionally, it is anticipated that certain Clients or investors (such as Clients or investors that have entered into non-disclosure agreements with FEAC or investors that designate representatives to participate on a Client's advisory board) generally may, by virtue of such participation, have more or earlier information about investments in certain circumstances than other Clients or investors, as applicable.

**Operation of Portfolio Companies.** Our Clients have come to control a relatively small number of portfolio companies that have defaulted on their loans or are in a workout situation. Depending on factors such as the health of the economy, the credit cycle and the portfolio

companies' various industries, it is reasonable to assume that additional portfolio companies will default over time. In such circumstances, FEAC will likely seek to enforce our Clients' rights under the applicable credit documentation and could opt to take over the portfolio companies. When a portfolio company is taken over, our Clients and fund investors are subject to different risks than they are as holders of interests in loans to the portfolio company. Operating a portfolio company, even for a limited period of time, can distract our senior personnel from their normal business activities. Additionally, defaulting portfolio companies often require additional capital to be effectively turned around. There is no guarantee that any defaulting portfolio company can be turned around or that Clients' investments in the portfolio company will be successful. Finally, operating a portfolio company could subject Clients to potential liabilities, such as management, employment and environmental liabilities.

**Control Investments.** FEAC may, on behalf of certain Clients, have equity ownership in a portfolio company that may represent a control investment and its ability to exit a control investment may be limited. FEAC's ability to divest itself from a debt or equity investment in a controlled portfolio company could be restricted due to illiquidity in a private stock, limited trading volume on a public company's stock, inside information on a company's performance, insider blackout periods, or other factors that could prohibit FEAC from disposing of the investment as it would if it were not a control investment. Additionally, FEAC may choose not to take certain actions to protect a debt investment in a control investment portfolio company. As a result, FEAC could be limited in its ability to exit a control investment at an ideal time, which could diminish the value FEAC is able to receive upon exiting such control investment.

**Side Letter Agreements.** In the normal course, Clients may enter into separate agreements with certain investors, such as those affiliated with FEAC or those deemed to involve a significant or strategic relationship, to waive certain terms, or to allow such investors to invest in separate classes of interests with different terms than those of the other investors, including, without limitation, with respect to fees, liquidity or depth of information provided to such investors concerning the Client. Under certain circumstances, these agreements could create preferences or priorities for such investors with respect to other investors in the Client. In addition, FEAC may specifically allocate capacity with respect to some of the Client's investments to investors who desire increased exposure to such investments.

**Idiosyncratic Risk.** FEAC seeks to create diversified portfolios that, over time, should prevent portfolios from being overly exposed to idiosyncratic risk, or risk that relates specifically to a particular asset. Our underwriting process further seeks to prevent Clients from making investments with identifiable and significant idiosyncratic risk. However, diligent underwriting and prudent diversification cannot prevent against all idiosyncratic risk. A portfolio could be adversely affected by exposure to multiple uncorrelated idiosyncratic risks.

**Privacy and Data Protection Law Compliance Risk.** The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and in the United States, Europe and other jurisdictions regulations (collectively, "Privacy Laws") could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of FEAC and companies in which Clients have investments, and increase compliance costs and require the dedication of additional time and resources to compliance for such

entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and investment performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for FEAC and companies in which Clients have investments, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, as amended, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include FEAC and companies in which Clients have investments.

#### *Risks of Specific Security Types*

**Asset-Based Loans.** Asset-based loans are secured by collateral consisting of inventory, accounts receivable, machinery/equipment, real estate, intellectual property/brands, patents and/or other assets owned by the borrower(s) whereby the underlying loan will be underwritten by the value of the collateral. These loans are highly structured and often involve bespoke collateral packages based on the type of collateral available, the industry of the issuer and whether other debt is part of the capital structure. These loans also typically include frequent monitoring including, but not limited to, financial and collateral reporting. These loans are provided to both private and public borrowers with varying ownership structures and are generally term loans which can be structured with a borrowing base or covenant package to ensure consistent collateral coverage. The rate of depreciation of certain assets securing the loans could exceed the amortization of the outstanding principal balance of the loans, which may lead to losses that could be substantial. In addition, there is a risk that the security interests securing all or a portion of such loans may not be perfected, which may increase credit losses.

**Bank Loans.** Bank loans are generally non-investment grade floating rate instruments that are secured by assets of the borrower. They generally hold a senior position in the capital structure of a borrower. Thus, they are generally repaid before unsecured bank loans, corporate bonds, subordinated debt, trade creditors, and preferred or common stockholders. Substantial increases in interest rates may cause an increase in bank loan defaults as borrowers may lack resources to meet higher debt service requirements. There is less readily available and reliable information about most bank loans than is the case for many other types of instruments, including listed securities. Bank loans are not listed on any national securities exchange or

automated quotation system, and as such, many bank loans are less liquid, meaning that they may not be able to be sold quickly at a fair price. To the extent that a secondary market does exist for certain bank loans, the market is more volatile than for liquid, listed securities and may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement period. The market for bank loans could be disrupted in the event of an economic downturn or a substantial increase or decrease in interest rates. Bank loans may also be subject to structural subordination and, although they may be senior to equity and other debt securities in the borrower's capital structure, may be subordinated to obligations of the borrower's subsidiaries.

Bank loans may become nonperforming for a variety of reasons. Such nonperforming loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of the unique and customized nature of a loan agreement and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and, historically, the trading volume in the loan market has been small, relative to other markets. Loans may encounter trading delays due to their unique and customized nature, and transfers may require the consent of an agent bank or borrower. Risks associated with bank loans include (i) the fact that prepayments may occur at any time without premium or penalty, and that the exercise of prepayment rights during periods of declining spreads could cause the fund to reinvest prepayment proceeds in lower-yielding investments; (ii) the borrower's inability to meet principal and interest payments on its obligations (i.e., credit risk); and (iii) price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the borrower and general market liquidity.

FEAC will primarily acquire interests in bank loans by way of assignment instead of originating such loans. As a result, Clients may be subject to additional risks related to the fact that FEAC acquired the interest by way of assignment. For example, 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.

Purchasers of loans are predominately commercial banks, investment funds and investment banks. As secondary market trading volumes increase, new loans frequently contain standardized documentation to facilitate loan trading that may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity. Because holders of such loans are provided confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not purchased or sold as easily as publicly traded securities are purchased or sold. In addition, historically the trading volume in the loan market has been small relative to the market for high yield debt securities.

Furthermore, customary trade documents used for bank loan transactions generally include settlement conditions (the "settlement conditions") that buyers must satisfy before receiving interest and fees accruing prior to settlement ("delayed compensation"). If the buyer fails to meet the settlement conditions, the buyer may lose the right to receive delayed compensation. Clients will depend on FEAC to meet the settlement conditions in order to receive delayed compensation. FEAC's inability to meet the settlement conditions will from time to time result in a Client losing delayed compensation. Additionally, when multiple Client trades are

aggregated into a single order, the counterparty to such order may not permit FEAC to settle Client trades separately, but instead, may require FEAC to settle all Client trades in the same closing. In such situations, when one or more Clients cannot meet the settlement conditions in respect of a trade, other Clients will from time to time lose delayed compensation even if such Clients are able to meet the settlement conditions.

**Collateralized Loan Obligations.** CLOs are typically privately offered and sold. As a result, investments in CLOs are often characterized as illiquid securities. In addition to the general risks associated with debt securities, CLOs carry additional risks, including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; (iii) the possibility that the investments in CLOs are subordinate to other classes or tranches thereof; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

**Common Stock.** Although common stock has historically generated higher average total returns than fixed-income securities over the long term, common stock also has experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock. Also, the price of common stock is sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stock. Common stock prices fluctuate for several reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market or when political or economic events affecting the issuers occur. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase.

**Convertible Securities.** FEAC reserves the right, for certain Clients, to invest in convertible securities, which are debt securities or preferred equity securities that are exchangeable for other debt or equity securities of the issuer at a predetermined price. Convertible securities entitle the holder to receive interest payments paid on corporate debt securities or the dividend preference on preferred equity securities until such time as the convertible security matures or is redeemed or until the holder elects to exercise the conversion privilege. As a result of the conversion feature, convertible securities typically offer lower interest rates than if the securities were not convertible. Also, in the absence of adequate anti-dilution provisions in a convertible security, dilution in the value in a holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared or the issuer enters into another type of corporate transaction that increases its outstanding securities.

**Corporate Debt.** Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

**Default and Counterparty Risk.** Some of the markets in which FEAC effects transactions are "over-the-counter" ("OTC") or "interdealer" markets. The participants in such markets are

typically not subject to credit evaluation and regulatory oversight, as are members of “exchange-based” markets. In addition, in the case of a default, the investment could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where FEAC has concentrated its transactions with a single or small group of counterparties. The ability of FEAC to transact business with any one or number of counterparties, and the absence of a regulated market to facilitate settlement may increase the potential for losses.

**Derivative Instruments.** Where permitted by Client Agreements, FEAC reserves the right to invest in complex derivative instruments that seek to modify or emulate the investment performance of particular securities, obligations, commodities, currencies, interest rates, indices or markets, or specific risks thereof, primarily on an unleveraged basis, which can be equivalent to a long position in the underlying asset or risk. These instruments generally have counterparty risk and may not perform in the manner expected, thereby resulting in greater loss or gain than might otherwise be anticipated. These investments are all subject to additional risks that may result in a loss of all or part of an investment, such as interest rate and credit risk volatility, world and local market price and demand and general economic factors and activity. Derivatives may have high leverage embedded in them that may substantially magnify market movements and result in losses substantially greater than the amount of the investment. Finally, when used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the investment from achieving the intended hedging effect or expose the portfolio to the risk of loss.

**Hedging Arrangements; Related Regulations.** For certain Clients, FEAC is authorized (but not obligated) to endeavor to manage the relevant Client’s currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. FEAC may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or OTC contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject the Client to the risk of a counterparty’s inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Client to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for FEAC and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the “CFTC”) or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Client or a portfolio company to hedge its exposures becomes limited by such requirements.

**Exchange-Traded Funds Risk (“ETFs”).** Where permitted by Client Agreements, FEAC reserves the right to invest, from time to time, in ETFs whose shares may trade above or below their Net Asset Value (“NAV”). The NAV of the ETF will generally fluctuate with changes in the



market value of the ETF's holdings. The market prices of shares, however, will generally fluctuate in accordance with changes in NAV as well as the relative supply of, and demand for, shares on the Exchange. The trading price of shares may deviate significantly from NAV during periods of market volatility.

**High Yield Securities.** Investments in “high yield” debt and preferred securities that are rated lower than investment grade by the various credit rating agencies (or in comparable non-rated securities) are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Securities that are rated BB+ or lower by Standard & Poor’s Ratings Group (“S&P”) or Ba1 or lower by Moody’s Investors Service (“Moody’s”) are often referred to as “junk bonds” and may include securities of issuers in default. “Junk bonds” are considered by the rating agencies to be predominately speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

**Highly Subordinated Securities.** FEAC investments may be in the form of highly subordinated, residual tranches of CLOs, which are susceptible to losses of up to 100 percent (100%) of principal. These securities represent leveraged investments in the underlying assets of the CLOs. The fair value of these investments could be significantly affected by changes in the financial ratings ascribed to the underlying assets of a CLO, changes in the market value or fair value of the underlying assets, changes in payments, defaults, recoveries, capital gains and losses, prepayment and the availability, prices and interest rate of underlying assets. Moreover, market developments generally (including, without limitation, deteriorating economic outlook, rising defaults and rating agency downgrades) may impact the fair value of an investment and/or its underlying assets, as was experienced during the financial crisis that occurred in the past decade.

Negative loan ratings migration may also place pressure on the performance of certain of the FEAC investments. Changes in the market value or fair value of such underlying assets could result in defaults that may in turn reduce or halt the distribution of cash to FEAC or trigger a liquidation of the CLO. The leveraged nature of a residual tranche increases the risk that a change in market conditions or the default of an issuer of underlying assets could result in significant losses. In certain circumstances, interest and principal proceeds otherwise payable to the residual tranches could be diverted and the residual tranche may suffer a loss of all or a portion of its value.

In addition, residual tranches are usually not secured by the underlying assets of the CLOs, and as a result, will rank behind all secured creditors of the CLO.

**Mezzanine Debt Investments (or Subordinated Debt).** Generally, mezzanine loans rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. However, mezzanine loans rank senior to common and preferred equity in a borrowers' capital structure. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to FEAC's investment in that portfolio company would typically be entitled to receive payment in full before FEAC receives any distribution in respect of the investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to FEAC. In the case of debt ranking equally with debt securities in which invested, FEAC would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Additionally, certain loans that FEAC may make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before FEAC. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then FEAC, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company's remaining assets, if any rights.

FEAC may have with respect to the collateral securing the mezzanine, or subordinated, loans and second lien loans to portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that FEAC enters into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. FEAC may not have the ability to control or direct such actions, even if FEAC rights are adversely affected.

**Middle Market Portfolio Securities.** Investments in middle-market companies involve a number of significant risks. Generally, little public information exists about these companies, and

FEAC relies on the ability of its investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. FEAC may be unable to uncover all material information about these companies and FEAC may not make a fully informed investment decision and may lose money on the investment. Middle-market companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and reduction in the likelihood of realizing any guarantees FEAC may have obtained in connection with an investment. In addition, they typically have shorter operating histories, narrower product lines and smaller market shares than larger business, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the portfolio company and, in turn, on FEAC's investment. Middle-market companies also generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing business with products subject to substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, FEAC may be named as a defendant in litigation arising from investments in these portfolio companies.

**Non-Investment Grade Securities.** Below investment-grade securities, including its investments in syndicated bank loans, middle market "club" loans (senior secured loans in middle market companies funded by an arranged group of lenders that generally does not involve syndication), direct lending (consisting of first lien loans, including unitranche loans), asset-based loans, and high-yield bonds, are more likely to pose a credit risk, as the issuers of these securities are more likely to have problems making interest and principal payments than issuers of higher rated securities. Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher- grade securities, and prices of these securities may be more sensitive to adverse economic downturns or individual corporate developments. If the issuer of the securities defaults, investors may incur additional expenses to seek recovery. The secondary market in which below investment-grade securities are traded may be less liquid than the market for higher grade securities.

**Non-U.S. Investments.** Investments outside of the United States or denominated in non-U.S. currencies pose currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks which could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and/or market manipulation. In addition, less information may be available regarding non-U.S. issuers, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, as stringent as, or as uniform as those of U.S. companies. Further, non-U.S. securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside of the United States are generally higher than in the United States. Higher costs result because of the cost of converting a non-U.S. currency to U.S. dollars, the payment of fixed brokerage commissions on some non-U.S. exchanges and the imposition of transfer taxes or transaction charges by non-U.S. exchanges. There is generally less government supervision and regulation of non-U.S. exchanges, brokers

and issuers than there is in the United States and there is greater difficulty in taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have failed at times to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect performance.

**Option Transactions.** The purchase or sale of an option involves the payment or receipt of a premium payment by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the purchaser of the option loses its premium. Selling options, on the other hand, involves potentially greater risk because the seller of the option is exposed to the extent of either a change in the volatility of the underlying security or instrument or the actual price movement in the underlying security or instrument in excess of the premium payment received. The ability to close out a position as purchaser of an exchange-listed option would be dependent upon the existence of a liquid secondary market on an exchange. Among the possible reasons for the absence of a liquid secondary market on an exchange are (i) insufficient trading interest in certain options; (ii) restrictions on transactions imposed by an exchange; (iii) trading halts, suspensions or other restrictions; (iv) interruption of the normal operations on an exchange; (v) inadequacy of the facilities of an exchange or similar facility to handle current trading volume; or (vi) a decision by one or more exchanges to discontinue the trading of options.

**Preferred Stock.** Preferred stock has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuers in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred also generally reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

**Private Placements; Illiquid Assets.** In addition to the risks that exist with respect to privately placed securities, due to the nature of such securities (i.e., risks associated with common stock), privately placed securities are often illiquid. Illiquid securities include securities whose disposition is subject to substantial legal or contractual restrictions. FEAC may experience significant delays in disposing of illiquid securities and may not be able to sell them for the price that was paid or the price at which FEAC has valued them. Transactions in illiquid securities may entail registration expenses and other transaction costs that are higher than those for transactions in liquid securities. Certain loans acquired and owned by Clients will also be illiquid assets for which no ready market of purchasers exists and often are subject to transfer restrictions and are not publicly traded. Investments in illiquid assets could reduce their ability to dispose of such assets in a timely fashion and for a fair price. Illiquid assets typically trade at a discount from comparable, more liquid investments.

**Restructured Company Loans.** The reorganization of a company can involve substantial legal, professional and administrative costs to a lender and the borrower. It is subject to unpredictable and lengthy delays and during the process a company's competitive position may erode, key management may depart and a company may not be able to invest adequately. In some cases, the debtor company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. For example, FEAC could become subject to a lender liability claim (alleging that FEAC misused our influence on the borrower for the benefit of its lenders), if, among other things, the borrower requests significant managerial assistance from us and FEAC provides that assistance. To the extent FEAC and an affiliate both hold investments in the same portfolio company that are of a different character, FEAC may also face restrictions on its ability to become actively involved in the event that a portfolio company becomes distressed as a result of the restrictions imposed on transactions involving affiliates under the 1940 Act. In such cases, FEAC may be unable to exercise rights FEAC may otherwise have to protect its interests as security holders in such portfolio company.

**Secured Loans.** Although the senior loans in which FEAC will invest generally will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower's obligation in the event of nonpayment of scheduled interest or principal, or that such collateral could be readily liquidated. In the event of the bankruptcy of a borrower, a portfolio could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a senior loan or could recover nothing of what it is owed on the senior loan. If the terms of a senior loan do not require the borrower to pledge additional collateral in the event of a decline in the value of the already pledged collateral, a portfolio will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the borrower's obligations under the senior loans. To the extent that a senior loan is collateralized by stock in the borrower or its subsidiaries, such stock may lose all of its value in the event of a bankruptcy of the borrower. There can be no assurance that the collateral can be readily liquidated or that the liquidation of the collateral would satisfy the borrower's obligation in the event of nonpayment of scheduled interest or principal. Uncollateralized (i.e., non-secured) senior loans involve a greater risk of loss. In addition, the collateral and security arrangements in relation to such loans will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements which may restrict the giving of collateral or security by a borrower under a loan, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If senior loans do not benefit from the expected collateral or security arrangements, it may affect the value of such senior loans.

**Small Companies.** FEAC is authorized to invest in small and/or less well-established companies. While smaller companies generally have potential for rapid growth, they often involve higher risk because they lack the management experience, financial resources, product diversification and/or competitive strength of larger corporations. Such companies may have shorter operating histories upon which to judge future performance and, in many cases,

experience negative cash flows. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities or loans of smaller companies are generally subject to wider price fluctuations. In addition, due to thin trading in some of those stocks, bonds or loans, an investment in those stocks, bonds or loans may be considered less liquid than an investment in many large-capitalization stocks, bonds or loans. When making large sales, FEAC may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

**Unitranche Loans.** To the extent that portfolio companies in which FEAC has invested through a unitranche facility are involved in bankruptcy proceedings, the outcome of such proceedings is uncertain. For example, it is unclear whether a bankruptcy court would enforce an agreement among lenders which sets the priority of payments among unitranche lenders. In such a case, the “first out” lenders in the unitranche facility may not receive the same degree of protection as they would if the agreement among lenders were enforced.

**Combination or “Layering” of Multiple Risks.** Although the various risks to which Clients are subject are discussed separately in this Item 8 and in the Client Agreements and Supplemental Disclosures of the applicable Client, the risks that Clients bear are increased based on the effects of the interplay of risk factors; where more than one significant risk factor is present, the risk of loss can be significantly increased.

**The foregoing list of risk factors is not a complete explanation of the risks involved in an investment in a Client.**

## **Item 9 – Disciplinary Information**

FEAC has no reportable material legal or disciplinary events.

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

FEIM provides investment advisory services primarily to mutual funds, private funds, institutional SMAs and registered funds such as FECOF. FEIM is the investment adviser to certain registered investment companies. Client accounts are generally managed by FEIM on a discretionary basis. Investment decisions are based on the investment strategy chosen by the Client, in line with any applicable guidelines and/or restrictions. For SMAs, FEIM has agreed with Clients to abide by certain restrictions, including but not limited to restrictions on securities or types of securities. In FEIM's management of a Client's account, FEIM is not responsible for and does not consider any securities, cash or investments owned by the client, the Client's financial circumstances or investment objectives outside of the Client's investment with FEIM.

Certain private funds, including BCP VI and Corsair IV, are managed by affiliates of Blackstone and Corsair, along with certain co-investors, who indirectly own or have the power to directly own a controlling interest in FE Holdings. (Blackstone Management Partners, L.L.C., a registered investment adviser, is the investment adviser to BCP VI. Corsair Investments, L.P., a registered investment adviser, is the investment adviser to Corsair IV. Blackstone and Corsair own and/or control other investment advisers, broker dealers and sponsors of investment funds and limited partnerships, registered commodity trading advisor and/or registered commodity pool operator entities, banking or thrift institutions, insurance companies or agencies.) FE Holdings is the managing member of FEIM. There are also non-managing members of FEIM that were formed to provide employees of FEIM and certain of its subsidiaries with equity interests in FEIM.

FEAC is a wholly owned subsidiary of FEIM and is marketed as the alternative credit group of FEIM. From time to time, various potential and actual conflicts of interest arise from the overall advisory, investment and other activities of Blackstone and Corsair, their affiliates and personnel. In particular, FEAC will from time to time make or seek to make investments in portfolio companies of Blackstone and Corsair, subject to regulatory and contractual restrictions. In addition to policies and procedures that have been adopted by FEIM and FEAC to mitigate potential conflicts and comply with applicable law, Blackstone and Corsair have adopted certain policies and procedures (e.g., information barriers) to mitigate potential conflicts of interest that each has with its portfolio companies and to address certain regulatory requirements and contractual restrictions. This could result in fewer investment opportunities for FEIM and FEAC clients.

FEAC is also under common control with Napier Park through their direct and indirect common ownership by FEIM. Napier Park provides management and/or advisory services to private investment companies such as hedge funds, private equity funds, securitized asset vehicles and, infrastructure funds, and institutional investors, pension plans, state and municipal government entities, sovereign wealth entities and high net worth individuals. Napier Park also provides investment advice to separately managed accounts on a fully discretionary or and may provide services on a non-discretionary basis..

FEAC and Napier Park also compete for investments, and FEAC Clients and Napier Park clients are from time to time expected to enter into transactions with one another, subject to any restrictions set forth in the Client Agreements or governing documents of their respective

advisory clients and applicable law. In addition, clients of Napier Park will from time to time make primary investments and possibly acquire secondary investments in FEAC Clients, including in CLOs sponsored by FEAC. Accordingly, Napier Park's clients will pay fees (including advisory fees), expenses and, if applicable, performance-based compensation to FEAC (and while not expected, Clients of FEAC (or investors in such Clients) could from time to time enter into similar investment relationships with Napier Park, including becoming clients thereof, and pay fees and expenses in connection therewith).

Investments by Napier Park's clients may not be considered investments by a FEAC affiliate under a relevant Client's Client Agreement or Napier Park client governing documents and therefore may not be subject to restrictions that would otherwise be imposed on investments in a Client by FEAC or certain of its affiliates. Napier Park and its clients will also receive customary information (including any investor reports) provided to FEAC Clients related to their investment in such Client. Subject to applicable law and Client Agreements, Napier Park and FEAC may also from time to time introduce one another to existing or prospective investors or engage in joint fundraising activities.

FEAC and Napier Park could face conflicts of interest, including having a conflicting division of loyalties and responsibilities, in the aforementioned situations. While FEAC and Napier Park have adopted policies and procedures reasonably designed to address such conflicts of interest, there can be no assurance that any such policies and/or procedures will be effective in accomplishing their stated purpose and/or that they will not otherwise adversely affect the ability of FEAC's Clients to effectively achieve their investment objectives.

Certain other employees have interests in or are affiliated with other investment advisers, broker dealers or financial services firms. Certain directors of FE Holdings have industry affiliations with other financial firms, including firms affiliated with Blackstone and/or Corsair; and certain FE Holdings non-employee directors may serve as directors of broker-dealer firms or as principals of investment adviser firms that may do business with FEIM and its clients.

From time to time, various potential and actual conflicts of interest arise from the overall advisory, investment and other activities of Blackstone, Corsair, Napier Park, their affiliates and personnel. The following briefly summarizes some of these conflicts but is not intended to be an exhaustive list of all such conflicts. Certain of these potential or actual conflicts exist notwithstanding that neither Blackstone, Corsair nor their affiliates may technically be a management person or an affiliated person of FEAC.

On behalf of Clients, FEAC has entered into agreements, transactions, loans, brokerage, underwriting or other arrangements with Blackstone and/or Corsair affiliates and portfolio companies, including transactions involving the securities of such companies. From time to time, employees of Blackstone and Corsair serve as directors or advisory board members of certain issuers of the Clients' investments or other entities and earn compensation from such activities. It is expected that FEAC's investments in such issuers, if any, would not have a material impact on such compensation. As described above, from time to time, FEAC and its Clients will have interactions or involvement, including transactions, with Napier Park and its advisory clients.

### **Information Barriers and Blackstone/Corsair**

By virtue of their respective ownership interests in FEAC, Blackstone and Corsair will



have access to information that FEAC's clients, including investors in Clients, will not have. Blackstone and Corsair are entitled to receive information regarding FEAC and its activities, including, without limitation, information about Clients (together with information about Clients' portfolios, subscriptions, withdrawals and other information relating to Clients), as well as confidential, proprietary information about FEAC.

In addition to policies and procedures that have been adopted by FEIM and FEAC to mitigate potential conflicts and comply with applicable law, Blackstone and Corsair have adopted certain policies and procedures, including information barriers, to mitigate potential conflicts of interest that each has with its portfolio companies, including FE Holdings, and to address certain regulatory requirements and contractual restrictions. This results in reduced investment opportunity for FEAC's clients. FEAC maintains a restricted list of companies whose securities are subject to trading prohibitions due to the business activities of Blackstone and Corsair. A Client account could be prohibited from buying or selling securities on the restricted list until the restriction is lifted, which could disadvantage the Client. Notwithstanding internal controls, it is possible that a breach of the information barrier policies and procedures could occur which breach could result in the potential misuse of material non-public information. Such a potential misuse of material non-public information could have adverse effects on the reputations of FEIM and FEAC, potentially resulting in the imposition of regulatory or financial sanctions and, as a consequence, negatively impacting each of FEIM and FEAC's ability to perform investment management services on behalf of its respective clients.

Blackstone and Corsair have represented creditors or debtors in proceedings under Chapter 11 of the Bankruptcy Code or prior to such filings. From time to time Blackstone and Corsair serve as advisors to creditor or equity committees. While FEAC has adopted policies and procedures, including information barriers, to mitigate potential conflicts and reduce the risk that FEAC would face restrictions under these circumstances, the participation of Blackstone or Corsair in any such activities could potentially limit or preclude the flexibility that FEAC's clients may otherwise have to participate in restructurings. Alternatively, FEAC could be required to liquidate any existing client positions of the applicable portfolio entity. The inability to transact in any security, derivative or loan held by a client could result in significant losses to a Client.

In addition, Blackstone or Corsair, as applicable, may take actions with respect to an issuer of an investment held by Clients that have a material adverse effect on the value of such investment and thus impact FEAC's Clients.

### **Information Barriers and FEIM**

FEAC and FEIM have determined that certain positions in syndicated loans (which may be deemed "securities" under the federal securities laws) and other similar financial instruments are expected to be held in the portfolio holdings of both FEIM and FEAC's respective advisory clients from time to time. As a general matter, there is no information barrier between FEAC and FEIM. Accordingly, FEIM's receipt of confidential information in the course of its business activities will restrict FEAC's trading and investment activities. However, from time to time, in limited circumstances, FEAC and FEIM could determine it appropriate to implement an information barrier. Any such information barrier would be reasonably designed to restrict communications as between FEAC and FEIM so that FEAC may continue to receive confidential information in the course of its business activities, without restricting FEIM's trading and

investment activities. In such circumstances, each of FEIM's and FEAC's investment professionals would be instructed as to their responsibilities not to discuss investment activities with employees on the other side of the information barrier. Legal and compliance personnel would monitor the information barrier and manage any communications between FEIM and FEAC related to potential conflicts and receipt of material, non-public information.

Because there is generally no information barrier between FEIM and FEAC, there will be instances where FEAC will be prohibited from making an investment that it would have made if there were an information barrier, resulting in reduced investment opportunities for Clients.

Notwithstanding the maintenance of restricted lists and other internal controls, it is possible that a breach of policies and procedures could occur which breach could result in the potential misuse of material non-public information. This potential misuse of material, non-public information could have adverse effects on the reputations of FEIM and FEAC, potentially resulting in the imposition of regulatory or financial sanctions and, as a consequence, negatively impacting each of FEIM and FEAC's ability to perform investment management services on behalf of its respective clients.

### **Information Barriers and Napier Park**

Napier Park, a wholly owned subsidiary of FEIM, operates autonomously from FEAC and FEIM. However, Napier Park and its personnel have certain interactions with FEAC and FEIM and their respective personnel. In addition, Napier Park and FEIM have determined that certain positions in investments are expected to be held in the portfolio holdings of both FEAC and Napier Park's respective advisory clients from time to time.

Napier Park, FEAC and FEIM have implemented an information barrier. The information barrier is reasonably designed to restrict communications as between FEAC and FEIM, on one hand, and Napier Park, on the other, so that FEAC and FEIM, on one hand, and Napier Park, on the other, may continue to receive confidential information in the course of their respective business activities, without restricting the other's trading and investment activities. Each of FEAC, FEIM and Napier Park's employees has been instructed as to their responsibilities regarding discussing investment activities with employees on the other side of the information barrier. Legal and compliance personnel monitor the information barrier and manage any communications between FEAC, FEIM and Napier Park related to potential conflicts and receipt of confidential information across the information barrier, including MNPI.

Policies and procedures, including the information barrier policies described above, were adopted by FEAC, FEIM and Napier Park, respectively, to mitigate potential conflicts, comply with applicable law and to address certain regulatory requirements and contractual restrictions. This could result in reduced investment opportunity for FEAC's clients in that limitations on interactions with Napier Park could reduce potential synergies that FEAC and its clients might otherwise be able to realize through additional involvement with Napier Park. Notwithstanding such policies and procedures and other internal controls, it is possible that a breach of the information barrier policies and procedures could occur and that such a breach could result in the potential misuse of MNPI. Such a potential misuse of MNPI could have adverse effects on the reputations of Napier Park and FEAC, respectively, potentially resulting in the imposition of regulatory or financial sanctions and, as a consequence, negatively impacting each

of Napier Park and FEAC's ability to perform investment management services on behalf of its respective advisory clients. FEAC maintains a restricted list of companies and may from time to time be restricted due to its common ownership or interactions with Napier Park and such restrictions would prohibit FEAC from buying or selling securities on the restricted list until the restrictions were lifted, which could disadvantage FEAC's clients (and vice versa).

FEAC and Napier Park may from time to time serve on committees with respect to investments, including lender or creditor committees, potentially creating conflicts for clients who may be disadvantaged to the extent the FEAC and Napier Park are invested in different securities of the same issuer. The inability to transact in any security, derivative or loan held by a Client account could result in significant losses to a Client. In addition, Napier Park or its clients may take actions with respect to an investment or an issuer of an investment held by Clients that have a material adverse effect on the value of such investment.

### **Other Affiliations**

Additionally, FEAC is affiliated with FEF Distributors, a limited purpose broker dealer. Certain employees of FEAC are also registered representatives and/or associated persons of FEF Distributors and are required to abide by the Code of Ethics and other policies of FEF Distributors.

FEAC or its affiliates, from time to time, act as the general partner or managing member of private funds. As such, FEAC, or its controlled affiliates, will have the ability to control the management and operation of these private funds. If applicable hurdles are achieved, FEAC will receive the performance fees described above in Items 5 and 6.

FEAC has material relationships with certain of its affiliates and registered fund clients, including FECOF.

FEAC serves as sub-adviser to FECOF. FEIM serves as investment adviser to FECOF and supervises FEAC's investment management of FECOF. FEIM and FEAC are both supervised by FECOF's board of directors, a majority of whom are independent of FEAC and its affiliates.

FEAC has a material relationship with First Eagle Strategic Funding, LLC, a proprietary account of the firm used to season certain investments. FEAC will conduct principal trades with certain Clients utilizing this entity.

To accommodate European investment in prospective CLOs, FEAC has formed First Eagle Alternative Credit EU, LLC ("FEAC EU"), a relying adviser, to satisfy European Union regulations relating to risk retention. FEAC controls the voting interest of FEAC EU and will also enter into a services agreement to provide FEAC EU with administrative, support and research services for which the FEAC will receive payment.

Apart from the foregoing, FEAC currently has no relationships or arrangements with related persons that are material to FEAC's advisory business or to Clients.

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

### **Code of Ethics**

FEAC has adopted a Code of Ethics (the “Code”) in accordance with Rule 204A-1 under the Advisers Act and Rule 17j-1 under the 1940 Act, which includes employee trading rules designed to detect and prevent such conflicts of interest. The Code establishes policies regarding personal trading by employees and their immediate family members (as defined in the Code), to mitigate any actual or potential conflicts of interest. Generally, the Code prohibits personal trading in any security (subject to exceptions set forth in the Code) while a Client’s trade order is pending in that security.

FEIM and FEAC have implemented procedures to monitor compliance with the provisions of the Code, including pre-approval of personal securities transactions and post-trade monitoring, as well as quarterly personal transaction certifications and annual compliance confirmations and holdings report certifications. The Code contains prohibitions on purchases of initial public offerings of equity securities and preclearance procedures with respect to private placements. For employees and their immediate family, personal securities transactions must be pre-cleared and are subject to short-term trading bans and blackout periods, unless they meet certain exemptions. Any employee who violates the Code is subject to remedial action, including termination of employment. Employees are required to provide written certifications of their compliance with the Code upon the commencement of their employment and annually thereafter.

In addition, employee trades are subject to minimum holding periods; and investments in initial public offerings are generally prohibited. Employees must report all trades (except those trades deemed as exempt from reporting) to Compliance quarterly, and all securities holdings (except exempted securities) are certified annually to Compliance. The Code also includes provisions relating to the confidentiality of Client information and a prohibition on insider trading.

FEAC and its officers and employees reserve the right to buy or sell securities or other instruments for its or their own accounts that it or they have recommended to Clients. FEAC, its employees, or its affiliates also are permitted to maintain investments in pooled and structured vehicles that FEAC has established or manages. Moreover, consistent with Clients’ investment objectives, FEAC may recommend to Clients the purchase or sale of securities in which it or its employees have a financial interest. These transactions are subject to the Code’s procedures regarding personal securities trading described above. The Code is designed to assure that the personal securities transactions, activities and interests of the employees of FEAC will not interfere with (i) making decisions in the best interest of Clients and (ii) implementing Client trading while, at the same time, allowing employees to invest for their own accounts. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Employee trading is continually monitored using manual and automated preclearance processes, employee certifications and exception reporting. This process assists FEAC to reasonably prevent conflicts of interest between FEAC and Clients.

A complete copy of the Code can be obtained by sending a written request to FEAC. Our contact information is included on the cover page of this Brochure.

### **Participation or Interest in Client Transactions**

FEAC will, from time to time, establish certain investment vehicles (“Employee Vehicles”) through which certain employees of FEAC or its affiliates invest directly or through a feeder fund that invests alongside one or more Clients in one or more investment opportunities. These Employee Vehicles do not pay advisory fees or incentive fees. Further, if FEAC, its affiliates or an employee directly invests into pooled or structured vehicles managed by FEAC or its affiliates, they generally do not pay advisory and/or management fees.

In addition, certain FEAC investment professionals and other personnel are granted, as part of their compensation, incentive compensation related to the compensation received by FEAC from a Client.

FEAC and its affiliates, employees or directors reserve the right to also make direct investments in portfolio companies and/or invest alongside investments made on behalf of Clients. This may cause potential conflicts as FEAC, its affiliates, employees or directors may conduct transactions or vote in such manner that may be different than a recommendation for a Client. FEAC requires Covered Persons to receive approval for any private placements in order to monitor and mitigate such conflicts under its Code of Ethics.

#### *Principal Transactions*

FEAC is authorized to effect a transaction on behalf of certain Clients while acting as principal for its own accounts and must disclose its role in the transaction to the Client in writing and obtain the Client’s consent before the transaction settles. The mechanics of such transactions are discussed further below.

FEAC has established proprietary accounts (the “Proprietary Accounts”) which will sell assets to (or purchase assets from) a Client. Such transactions are considered to be “principal transactions” within the meaning of the Investment Advisers Act of 1940 and represent a conflict of interest. FEAC will allocate investment opportunities, from time to time, to Proprietary Accounts in accordance with the allocation procedures discussed in Item 12 below.

In addition, FEAC and its related persons may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to eligible Clients in connection with certain “warehousing” transactions, provided that the sale is consistent with FEAC’s fiduciary obligations to such Client. Such transactions will be fully disclosed in writing, and the written consent of the appropriate Client (which, in certain circumstances, may be provided by a Client’s Advisory Board), as applicable, will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act and all other applicable state and federal securities laws.

#### *Agency Cross Transactions / Cross Transactions*

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the Client and for another person on the other side of the transaction. Agency cross transactions

arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. FEAC's affiliate, FEF Distributors, is a limited purpose broker-dealer engaged in the distribution of investment products sponsored by FEIM and its affiliates, including FEAC. FEF Distributors does not engage in primary or secondary trading or any other capital market activities on behalf of its clients.

To the extent permitted under applicable law, from time to time, when it deems it to be appropriate for one Client to purchase a security and for another to sell the same security (i.e., a cross trade), FEAC may "cross" such trades for its Clients. Cross trades conducted by FEAC may be conducted with one or more broker-dealers or FEAC will effect the cross trade through the applicable custodians in an attempt to seek the best execution for each Client by obtaining reduced transaction or executions costs for each Client. In certain private transactions, FEAC from time to time expects to conduct cross trades in directly originated loan transactions which may not be exposed to the market and, in such instances, it is possible that a Client will not receive the best price otherwise possible. Since, in any such cross-trade transaction, FEAC will represent both the Client-seller and the Client-buyer, FEAC will have a conflict of interest given the obligation to seek the best price and most favorable execution. FEAC has established policies and procedures to mitigate such conflicts of interest and execute such transactions in compliance with the Advisers Act. FEAC will not execute cross trades for Client accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and when executing cross trades for registered investment companies, e.g., mutual funds, it will only do so in accordance with Section 17(a) and/or other provisions of the 1940 Act. FEAC will not receive any commission or other transaction-based compensation for effecting any such transaction.

### **Other Potential Conflicts of Interest**

#### *Loan Obligors*

FEAC and its affiliates, their respective directors, officers, shareholders, partners, members, managers and personnel and their respective Clients (together, "Related Entities") expect to have economic interests in, and other relationships with, some of the loan obligors of loans in which Clients will invest. Such economic interests may be *pari passu*, senior or junior in ranking to a loan acquired and/or held by a Client. In addition, partners, security holders, members, managers, officers, directors, agents or employees of FEAC or its Related Entities may serve on boards of directors, boards of managers or boards of members of, or otherwise have ongoing relationships with loan obligors. These relationships could result in a Client being restricted as to transactions in such loans or other securities issued by a loan obligor and otherwise create conflicts of interest between FEAC and a Client. In such instances, FEAC and its Related Entities may in their discretion make investment recommendations and decisions that may be the same as or different from the investment recommendations and decisions, as applicable, made by FEAC with respect to the loans of a Client.

FEAC and/or its Related Entities' relationships with loan obligors create conflicts of interest when FEAC services or administers a Client account or a loan to the extent that such relationships create an incentive for FEAC to take an action that benefits FEAC or its Related Entities, or the loan obligor or its affiliates, in order to foster such relationships, which could also adversely affect the interests of a Client in its loans. Furthermore, in accordance with its

fiduciary duties to a Client under the Advisers Act, FEAC from time to time expects to take, or be required to take, actions which could adversely affect the interests of its other Clients.

FEAC and its Related Entities also have ongoing relationships with, render services to and engage in transactions with their respective affiliates and Clients, as well as other loan participants, including but not limited to other funds, SMAs or issuers of CLOs who, from time to time, invest in assets of a similar nature to those held by Clients, potentially with loan obligors whose loans are acquired by Clients and who own equity or debt securities issued by Clients' loan obligors or their affiliates or have other financial relationships therewith.

In connection with the foregoing activities FEAC and its Related Entities from time to time come into possession of material non-public information. As noted above, FEAC's possession of such information will limit its (and its affiliates') ability to offer or effect transactions for Clients in the loans or securities of a given issuer. As a result, a Client's freedom of action with respect to investments may be constrained, which can have an adverse impact on performance. In addition, personnel or affiliates of FEAC and its Related Entities may possess information relating to loan obligors that is not known to the individuals at FEAC who are responsible for monitoring such loans and performing the other obligations FEAC may owe to a Client.

#### *Material, Nonpublic Information*

FEAC (or, as discussed above, FEIM) from time to time becomes aware of material, non-public information that affects its ability to buy, sell, or hold a security for a Client account. In addition, employees, directors and officers of FEAC and/or its affiliates occasionally serve as directors or officers of outside companies. In these situations, FEAC, FEIM or their associated persons obtain material, non-public or other confidential information that, if disclosed, might affect a decision to buy, sell or hold a security. Under applicable law, persons cannot improperly disclose or use this information for their personal benefit or for the benefit of any person, including Clients of FEAC. If FEAC, FEIM or its associated persons obtain non-public or other confidential information in breach of a duty about any issuer, FEAC will have no obligation to disclose the information to any Client or use it for any Client's benefit. Due to these restrictions, a transaction in a Client account may not be able to be initiated that FEAC otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. FEAC has implemented policies and procedures reasonably designed to prevent the misuse of material, non-public information. Specifically, the procedures address the prohibition on trading on inside information, physical security and prohibited communications surrounding inside information, and the maintenance of restricted lists. As described above, FEAC established an information barrier with Napier Park designed to prevent (or limit) the dissemination of material, non-public between FEAC and Napier Park.

#### *Management of Client Accounts*

FEAC is subject to certain additional conflicts of interest in its management of Client accounts. These conflicts arise primarily from the involvement of FEAC and its affiliates (collectively, the "FEAC Group") in other activities that may conflict with those of Client accounts. The FEAC Group engages in a broad spectrum of activities. In the ordinary course of their business activities, the FEAC Group from time to time expects to engage in activities where the interests of the FEAC Group are likely to conflict with the interests of FEAC Clients. FEAC from time

to time becomes subject to contractual obligations or legal restrictions that impose lock up restrictions or otherwise restricts FEAC from negotiation, and/or purchasing or selling, certain issuers held by Client accounts in general or during certain periods of time. Other present and future activities of the FEAC Group give rise to additional conflicts of interest which may have a negative impact on FEAC Client accounts. In addition, officers, directors, members or employees of FEAC expect to serve as officers, directors, principals, consultants to or members of entities that operate in the same or a related line of business, or of accounts sponsored or managed by the FEAC Group. Furthermore, such officers, directors, members or employees of FEAC are also permitted to serve on boards or act in other roles unaffiliated with FEAC and Clients, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles. In serving in these multiple capacities, they may have obligations to other Clients or investors in those entities, the fulfillment of which likely will not always be in the best interests of FEAC Client accounts.

The FEAC Group have implemented certain policies and procedures to address these conflicts and regulatory, legal and contractual requirements across its various businesses. For example, FEAC from time to time expects to come into possession of material non-public information with respect to companies in which FEAC's Clients may be considering making an investment. As a consequence, that information, could restrict other Client's activities and render further investment opportunity unavailable to other Clients. Additionally, the terms of confidentiality or other agreements with or related to companies in which any account managed by FEAC has or has considered making an investment may restrict or otherwise limit the ability of FEAC to direct investments in such companies.

From time to time, individuals employed by members of the FEAC Group are expected to participate on creditors' committees with respect to the bankruptcy, restructuring or workout of issuers. In such circumstances, FEAC from time to time expects to take, or be required to take, positions on behalf of itself and/or one or more Clients that are averse to the interests of other Clients. As a result of such participation, FEAC may be restricted in trading in such issuers or securities of such issuers.

FEAC and its affiliates have organized or advised, and expect to organize or advise in the future, investment vehicles that invest in similar or different investments. Clients from time to time are expected to be solicited to invest in FEAC's private funds for which FEAC generally serves as the general partner or managing member or in which employees of FEAC generally may hold positions of influence such as serving on the board of directors.

In connection with its services to Clients and their investments, FEAC, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of FEAC's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, FEAC and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to a client or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "FEAC Information"). In many cases, FEAC Information will include tools, procedures and resources developed by FEAC to organize or systematize FEAC Information for ongoing or future use. Although FEAC expects Clients and their portfolio companies generally to benefit from FEAC's possession of FEAC Information, it is possible that



any benefits will be experienced solely by other or future Clients or portfolio companies and not by the Client or portfolio company from which FEAC Information was originally received. FEAC Information will be the sole intellectual property of FEAC and solely for the use of FEAC. FEAC reserves the right to use, share, license, sell or monetize FEAC Information, without offset to management fees, and the relevant Client or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization.

#### *Legal & Regulatory Limitations*

The relevant investment management agreements with Clients and/or law or regulation restrict the ability of FEAC to buy or sell, on behalf of Clients, portfolio companies of funds managed by FEAC or its affiliates, including funds managed by FEIM or Napier Park. For example, the 1940 Act prohibits certain Clients, from making “joint” transactions with certain of FEAC affiliates or affiliated funds, which could restrict such Clients from making investments in the same portfolio companies as such affiliates or affiliated funds (whether at the same or different times). Consequently, FEAC sought and received from the SEC, the ability to co-invest in portfolio companies with certain other affiliated funds managed by the FEAC Group. The SEC granted relief through an exemptive order (the “Exemptive Order”) on July 13, 2021, as amended on April 29, 2022 (replacing the orders previously issued on September 19, 2018 and December 8, 2015, respectively), which allows for co-investments based on certain conditions. The conditions of the Exemptive Order restrict the ability of a Client to invest in certain investments and imposes conditions made on follow-on investments that were initially conducted as a co-investment under the Exemptive Order. Additionally, the conditions of the Exemptive Order may affect the manner in which an investment that had originally been made as a co-investment is sold, exchanged or otherwise disposed. In addition, ERISA may also limit transactions by certain Clients in affiliated funds and/or portfolio companies of affiliates. As a result of these policies and restrictions, FEAC may be limited or prohibited from certain purchases and sales on behalf of Clients of securities or other instruments issued by portfolio companies of funds managed by FEAC or its affiliates, including funds managed by FEIM and Napier Park (as well as Blackstone and Corsair, as discussed above). These limitations may narrow the scope of investment opportunities that would otherwise be available for Clients.

#### *Co-Investment Opportunities*

Co-Investment opportunities expect to be offered to one or more third parties and/or investors in one or more private funds managed by FEAC. FEAC reserves the right, in its discretion, to decide which co-investors are made these offers and the priority order that such co-investment opportunities are made. Conflicts of interest arise when FEAC offers different fees and expenses (including waivers of fees or expenses) for co-investment opportunities than are offered to Clients. Additionally, conflicts of interest may arise where a portion of an investment opportunity that otherwise would have been invested in by a Client is instead allocated to co-investors.

#### *Follow-On Investments*

Follow-on investments in companies, including investments to finance follow-on acquisitions, present conflicts of interest, including in the determination of the terms of the new financing as well as in the allocation of the investment opportunities, for instance, in determining

whether existing investors will be cashed out at a price that is higher or lower than market value, whether new investors will pay a higher or lower price for the company than paid by existing investors, and whether new investors will purchase their securities with terms that are more or less favorable than the prevailing market terms. Conflicts may also arise in allocating follow-on investments when, due to account restrictions or cash availability, a Client is unable to participate in the investment opportunity.

#### *Conflicts Relating to Service Providers*

FEAC reserves the right, in its discretion, to contract with any related person of FEAC to perform services for FEAC in connection with its provision of services to Clients. When engaging a related person to provide such services, FEAC may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost. In most cases, the relevant Client will not consent, participate in the negotiations or be directly involved in such arrangements.

FEAC reserves the right, in its discretion, to recommend to a Client or to a company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) a related person of FEAC (including but not limited to a portfolio company of a Client) or (ii) an entity with which FEAC or its affiliates or a member of their personnel has a relationship or from which FEAC or its affiliates or their personnel otherwise derives financial or other benefit. Because of its financial or other business interests, when making such a recommendation, FEAC has an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

FEAC may make material investments in portfolio companies that may be service providers of FEAC or its affiliates, unless prohibited by Client guidelines or regulatory statutes. Certain FEAC employees may receive discounts on products and services offered by companies in which a Client is an investor or otherwise has interest, similar to what would be given to an employee of such company. In addition, FEAC may engage certain of Clients' portfolio companies to provide goods and services. In these instances, FEAC engages with the portfolio company at an arm's length, and the portfolio company provides the same pricing and service levels as it would any comparable Client or purchaser.

#### *Shared Services Expenses*

In the operation of FEAC's business and the management of Clients, inherent conflicts are likely to exist in connection with shared service expenses. Pursuant to the applicable agreements with Clients, certain overhead and back office expenses are allocated to certain Clients. In the case of certain categories of services provided, the allocation of expenses requires judgment to determine whether the expense is to be allocated to FEAC, to one or more Clients or split ratably among FEAC and one or more Clients. Accordingly, the use of judgment creates a conflict of interest since it is both in FEAC's interest and in the Clients' best interest to pay less expenses.

#### *Conflicts Related to Relationships with Borrowers or Private Equity Sponsors*

FEAC's Direct Lending platform seeks to engage in repeat transactions with certain private equity sponsors and with certain obligors over time. Such relationships are likely to

present conflicts of interest to the extent that FEAC relies on business opportunities from such private equity sponsors. If an obligor becomes impaired, the obligor may seek to restructure its loan and the interests of the obligor (and its private equity sponsor), those of FEAC or its affiliates and those of a Client may not be aligned.

#### *Potential Conflicts in Legal Counsel Engagements*

FEAC and Clients generally engage common legal counsel and other advisors in a particular transaction, including a transaction in which there may be conflicts of interest. In the event of a significant dispute or divergence of interests between Clients, FEAC and/or its affiliates, in their sole discretion, may engage separate counsel, and in litigation and other circumstances separate representation may be required.

#### *Management of Conflicts*

All of the transactions and relationships described above involve the potential for conflicts of interest between FEAC (or its employees) and Clients. The Investment Advisers Act of 1940 and the Investment Company Act of 1940 impose certain requirements designed to mitigate the possibility of conflicts of interest between an investment adviser and Clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. Certain other transactions may be prohibited. FEAC has instituted policies and procedures designed to prevent conflicts of interest from arising and, when they do arise, to ensure that FEAC effects transactions for Clients in a manner that is consistent with FEAC's fiduciary duty to Clients and in accordance with applicable law. FEAC seeks to ensure that potential or actual conflicts of interest are appropriately resolved, taking into consideration the overriding best interest of the applicable Client.

#### *Differing Investment Positions*

FEAC generally takes directionally similar positions on behalf of Clients. For example, if one Client purchases a loan in a particular issuer, it would be atypical for another Client to take a short position in that same issuer.

However, it is possible that, from time to time, an account FEAC advises will take an investment position different from a position taken by another account that FEAC or a related party manages. For example, a Client that FEAC manages could hold a senior loan in an issuer, while a Client that FEAC or a related party advises holds a mezzanine loan or an equity investment in the same issuer. If an issuer in which different accounts hold different types of investments encounters financial problems, decisions over the terms of any workout will raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, a senior debt holder would likely be advantaged by a liquidation of an issuer in which such holder will be paid in full, whereas a junior debt holder or an equity holder would likely prefer a reorganization that holds the potential to create more value for such holders. Further, a certain Client, from time to time, will seek to sell interests in loans that are also held by another Client. In certain circumstances, the sale of an interest in a loan by one Client could temporarily affect the market value of the interests in the loan that are held by other Clients. In these situations, positions FEAC takes could disadvantage one or more accounts.

Where conflicts occur, in all circumstances, FEAC will act in a manner that FEAC believes to be consistent with our fiduciary duties to all Clients, without consideration of our interests or

the interests of a related party.

#### *Repeat Transactions in the Same Issuer*

FEAC acts, from time to time, as an underwriter, arranger or administrative agent, or otherwise participate in the origination, structuring, negotiation, syndication or offering of loans held by Clients. These loans are typically held by multiple Clients and are often prepayable at the option of the obligor. Clients often have certain protective rights against prepayment, such as prepayment or call premiums, and on occasion, FEAC may cause a Client to waive these prepayments or call premiums. FEAC often has fiduciary duties to multiple holders of such obligations, and it is not always the case that each holder's interest is aligned with the interests of other holders with respect to waivers of prepayment or call protections. In general, Clients who participate in a refinancing of an obligation would benefit from a waiver, while those that do not participate would generally prefer to apply prepayment premiums and other prepayment protections. Whether or not a Client is able to participate in a refinancing depends on a variety of factors that vary based on each Client, including legal, regulatory and other restrictions.

When determined to be in the overall best interests of all Clients, FEAC could cause relevant Clients to waive prepayment premiums or other similar call premiums in certain circumstances, including when FEAC or its affiliates are involved in the refinancing, restructuring or other modification of such assets. Where one or more Clients, when considering only those Clients' individual and particular circumstances, do not participate in a related refinancing, FEAC faces a conflict of interest between its duty to these Clients and the interests of other Clients that will participate in the refinancing, as well as, in some cases, its interests or the interests of related entities.

#### *Overlapping Ownership*

From time to time, FEAC invests Clients' assets in investments that are also held by:

- (1) FEAC or its affiliates;
- (2) other Clients;
- (3) funds or accounts in which FEAC or its affiliates or their respective officers or employees have an ownership or economic interest; or
- (4) FEAC's officers or employees or the officers or employees of FEAC's affiliates.

FEAC also invests on behalf of Clients in the same or different instruments of issuers in which the following also hold instruments issued by such issuers:

- (1) FEAC or its affiliates;
- (2) other Clients;
- (3) funds or accounts in which FEAC or its affiliates or their respective officers or employees have an ownership or economic interest; or
- (4) FEAC's officers or employees or the officers or employees of FEAC's affiliates who have an ownership interest as a holder of the debt, equity or other instruments of the issuer.

FEAC also invests, on behalf of Clients, in funds that FEAC or its affiliates advise. Clients, from time to time, engage in cross trades where investments held by one Client are purchased

or sold to another Client. Cross trades are typically done for investment reasons such as asset rebalancing, for tax, legal or regulatory reasons or to maximize leverage.

A conflict of interest often exists in connection with these transactions since investments by Clients could benefit FEAC and its affiliates, officers and employees by potentially increasing the value of the investments held in the issuer. From time to time, Clients purchase investments from other Clients. Any investment FEAC makes on behalf of Clients or any related disposition will be consistent with applicable law, FEAC's fiduciary obligations to act in the best interests of Clients and such Clients' investment objectives.

FEAC generally permits certain of FEAC's officers and employees to invest in private funds that FEAC or its affiliates advise and/or share in the returns, fees or income received from such funds. When an officer or employee is responsible for both the portfolio management of the private fund and other Client accounts, such person faces a conflict of interest in connection with investment decisions since the person has an incentive to direct the best investments, or to allocate trades, in favor of the fund in which he or she is invested or otherwise entitled to share in the returns, fees or income.

Certain of FEAC's affiliates, officers and employees have made, and will likely continue to make, small, minority investments in affiliated and unaffiliated private equity funds using investment vehicles other than Clients. As a result, many Clients have invested and will likely continue to invest in loans to portfolio companies that are primarily owned by one or more of these unaffiliated private equity funds. Therefore, FEAC has an incentive to cause Clients to invest in portfolio companies owned by private equity funds in which FEAC's affiliates, officers and employees have invested. However, because the indirect minority interest that FEAC's affiliates, officers and employees have acquired in any such portfolio company is and will likely continue to be very small relative to Clients' investments in the loans to such portfolio company, FEAC believes that the incentive is merely theoretical. Furthermore, FEAC believes that investments in private equity funds by its affiliates, officers and employees will help us build and improve our relationships with these funds' respective private equity sponsors. FEAC believes that these improved relationships could yield a greater number of potential investment opportunities for Clients in loans to portfolio companies to be acquired, or that are controlled, by these private equity sponsors.

In addition to the allocation policy, to address these conflicts of interest, FEAC has adopted a policy governing side-by-side management of private funds and other advisory accounts. This policy requires FEAC to treat each Client in a manner consistent with its fiduciary obligations and prohibits FEAC from favoring any particular advisory account because of the ownership by, or economic interests of, FEAC, its affiliates, officers or employees in such advisory accounts.

FEAC's and its affiliates' portfolio managers are often responsible for the day-to-day management of multiple accounts, including our accounts and the accounts of our affiliates. The potential for material conflicts of interest exists whenever a portfolio manager has responsibility for the day-to-day management of multiple advisory accounts. As noted above, these conflicts could be greater if a portfolio manager is also responsible for managing a proprietary account or when FEAC and/or its affiliates have an investment in one or more such accounts or an interest in the performance of one or more such accounts through the receipt of a fee.

Certain conflicts of interest and mitigating procedures are disclosed in Client documents. Some conflicts of interest are particularly acute, in particular, principal trades, and FEAC will seek Client consent for transactions of this nature. Client consent could come directly from the Client or its investors, or if permitted by the Client documents, by an independent investor representative or adviser, independent directors or an independent conflicts committee. Such consent will generally be obtained from, respectively, the investor advisory committee of the applicable private fund or the board of directors of the applicable CLO (or contracted professionals or an independent reviewer, as applicable), and not the individual investors of the private fund interests or the junior interests of the CLO.

From time to time, one Client (or a holding company, CLO or other subsidiary) could purchase investments from or sell investments to another Client, including where FEAC or its affiliates have a significant interest (greater than 25%) in one or more parties to the purchase and sale transaction. Any investment on behalf of Clients or any related disposition must be consistent with applicable law, relevant contractual requirements and FEAC's (and its affiliates') fiduciary obligations to act in the best interests of Clients and their investment objectives.

#### *Reductions, Waivers and Absorptions of Fees and Other Costs*

FEAC is permitted to reduce, waive or absorb some of the fees or costs otherwise due by Clients or their affiliates. While this activity can be seen as friendly to investors, reductions, waivers and absorptions of fees and costs result in higher returns to investors than such investors would receive if full fees and costs were charged. There is no guarantee that these reductions, waivers or absorptions will occur in the future, and these reductions, waivers and absorptions are entirely at our discretion. FEAC does not believe these reductions, waivers and absorptions are material to investors over time. FEAC will provide historical return and reduction, waiver and absorption information upon request.

#### *Relationships with Investors*

FEAC frequently communicates with certain investors in Clients (such as CLO investors) relating to the composition of a Client's investments and/or matters relating to the Client. There can be no assurances that such communications will not influence such FEAC's decisions with respect to such Client. In addition, as discussed above, certain clients of Napier Park are investors in FEAC Clients and are expected to receive customary information in connection with their investments in such Clients.

Additionally, FEAC has and expects to continue to enter into arrangements with Clients and investors to reduce, waive or share portions of the management fees, which may affect the incentives of FEAC in managing the Client.

All investment decisions require approval of the relevant Investment Committee and will be executed in compliance with FEAC's fiduciary obligations under the Advisers Act. Refer to Item 8 – "Methods of Analysis, Investment Strategies and Risk of Loss and Item 13 – Review of Accounts" for further details. FEAC also maintain policies and procedures relating to allocation of investment opportunities that limit the risk that capital can be deployed in a manner that favors one Client over another.

FEAC's material conflicts of interest related to the formation of each CLO and the selection of the CLO's portfolio will be disclosed to investors in the CLO's Supplemental

Disclosures.

*Competition for Investment Opportunities*

As both FEAC and FEIM's high yield strategies seek to invest in broadly syndicated loans, they compete for opportunities to make such loans, potentially resulting in fewer investment opportunities for FEAC. FEAC also competes with Napier Park for potential investments, primarily in the broadly syndicated loan space.

## **Item 12 – Brokerage Practices**

### **General Considerations – Selecting / Recommending Dealers for Client Transactions**

The Direct Lending platform generally does not utilize brokers or dealers and therefore this section and the section titled “Research and Other Soft Dollar Benefits” apply only to the Tradable Credit platform.

In selecting dealers for Tradable Credit Client transactions, FEAC’s policy, consistent with investment considerations, is to seek the most favorable price and execution (or “best execution”) for Client orders. Best execution is generally understood to be a combination of most favorable net price under the circumstances and prompt, reliable execution. When selecting a broker-dealer, FEAC generally considers a number of factors, including but not limited to: the nature of the security being traded; the size and type of the transaction; the nature and character of the market for the security; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality, including trade anonymity; the quality of the execution, clearance and settlement services; the financial stability of the broker-dealer, and the broker-dealer’s execution capabilities, including block positioning, and ability to obtain best price and execution. Spread or commission equivalents on all transactions are subject to negotiation, except in markets which have fixed commission rates or in the case of fixed price offerings. Negotiated markups and markdowns take into account the difficulty involved in execution, the time taken to conclude the transaction, the extent of the broker-dealer’s commitment, if any, of its own capital and the amount involved in the transaction. On relatively small trades, spreads can be a major factor in achieving most favorable price and execution. In seeking to achieve best execution, FEAC actively compares the spreads, markups and markdowns (or “commission equivalents”) which an executing broker-dealer is offering to the commission equivalents offered by the other broker-dealers which could provide similar services. Broker-dealers may be paid an above-average commission equivalent for superior or difficult execution or for relatively small trades. For relatively large trades, commission equivalents are not usually a major factor in achieving most favorable price and execution.

### **Research and Other Soft Dollar Benefits**

As a practical matter, FEAC does not utilize commission dollars, commission credits, or commission equivalents to acquire research and research related services for Client accounts nor has it entered into any formal soft dollar agreements with any broker-dealers for such services. Furthermore, while FEAC has the discretion to generate and use soft dollars to obtain research and research related services for Client accounts, it has no plans to do so, and will notify Clients of any change to that practice.

FEAC primarily transacts in privately negotiated debt and equity investments, bank loans and fixed income securities and does not typically transact in publicly traded equities to generate commissions or commission equivalents. Nonetheless, FEAC has developed policies and procedures to ensure compliance with Section 28(e) of the Securities Exchange Act of 1934 to the extent it receives research and research related services. FEAC executes securities transactions with multiple executing dealers who may provide the firm with access to proprietary research reports (such as standard investment research). To the best knowledge of FEAC, these and other products and services are generally made available to all institutional



investors doing business with such dealers. These bundled services are made available to FEAC on an unsolicited basis and without regard to the rates of commissions (or commission equivalents) charged or paid, or the volume of business FEAC directs to such broker-dealers. FEAC does not separately compensate such broker-dealers for the provision of such services nor does it consider the provision of such services in selecting broker-dealers for the execution of client transactions..

To the extent research services are provided (on an unsolicited basis) by broker-dealers with whom FEAC effects transactions related to for a particular account may be used by FEAC in servicing its other accounts and not all such services may be used for the benefit of the Client who pays the commission equivalent which results in the receipt of such research services. Commissions or commission equivalents paid to broker-dealers which can provide FEAC with research services may be higher than those charged by broker-dealers not providing such services. FEAC has established a Trade Management Committee for the Tradable Credit platform which consists of one or more representatives from each of the following areas: Portfolio Management, Trading and Legal/Compliance. The Trade Management Committee meets periodically to review brokerage allocation activity of the Tradable Credit platform among dealers and across product sectors, approve new broker-dealers, review best execution reports and to review and continuously assess soft dollar practices by FEAC. This committee serves as the focal point in managing the Tradable Credit platform brokerage allocation practices so as to ensure that those practices comply with applicable law and FEAC's policies and procedures.

### **Client Directed Brokerage**

FEAC currently does not have any directed brokerage arrangements for any Client accounts.

### **Trade Aggregation and Allocation**

#### **i. Direct Lending**

Investment decisions on behalf of FEAC's Direct Lending platform generally are completed through the Direct Lending Investment Committee. FEAC is committed to allocating investment opportunities among Clients of FEAC in a manner that, over time, is on a fair and equitable basis and has established detailed policies and procedures to guide the determination and documentation of such allocations. Those policies and procedures seek to mitigate the potential that FEAC will allocate investment opportunities to FEAC's Direct Lending Clients in a self-interested manner. Further, FEAC has Direct Lending Clients that are registered under the 1940 Act, including FECOF, and has Clients that are private funds and SMAs. Because FECOF is regulated under the 1940 Act, such accounts are deemed to be affiliated with FECOF for the purposes of the 1940 Act. As a result, certain investment transactions involving FECOF and one or more private funds and/or SMAs, collectively the "Funds", would be prohibited under the 1940 Act absent obtaining an exemptive order from the SEC. The Exemptive Order allows FEAC and certain of its affiliates to enter into co-investment transactions with FECOF and future registered investment companies and business development companies that FEAC may sponsor, manage or sub-advise from time to time. Therefore, allocation procedures for Direct Lending are conducted in compliance with the Exemptive Order.

FEAC's allocation policy with respect to investment and disposition opportunities in

privately negotiated transactions is comprised of the following parts: (A) determining for which Fund(s) the investment opportunity is appropriate, or “Pre-Allocation Procedures”, and (B) (i) determining how to allocate among each participating registered fund an investment opportunity that is deemed to be appropriate for more than one Fund, including at least one registered fund, and (ii) determining how to allocate an investment opportunity that is not appropriate for the registered funds among other Clients themselves ((B) being the “Allocation Procedures”).

FEAC will seek to allocate investment and disposition opportunities among Clients (including certain Proprietary Accounts) in a manner that is fair and equitable over time and in accordance with the Allocation Procedures and the Exemptive Order. When making investment and disposition allocation decisions, FEAC will consider a variety of factors on a relative or absolute basis, and will establish ratios, formulas or other relevant similar metrics to assist in making allocation decisions when the opportunity being considered may be appropriate for more than one Fund.

FEAC has established an allocation committee for the oversight of investment allocations to ensure compliance with the Exemptive Order. In general, because of the commonality and/or overlap of investment objective and policies among the Funds, investment and/or disposition opportunities that are attractive to one of the registered fund Clients may be attractive to the other registered fund Clients and/or one or more other Clients. It is possible, however, that an investment or disposition may not be appropriate for one or more of the Clients due to regulatory, tax, investment, or other restrictions.

Where FEAC determines that, based on the Pre-allocation Procedures, an investment or disposition opportunity is appropriate for one Fund but not any other, such opportunity will be allocated only to the Fund for which such investment opportunity is deemed appropriate. Where FEAC determines that based on the Pre-allocation Procedures, an investment or disposition opportunity is appropriate for more than one Fund, such opportunity will be allocated in accordance with regulations under the 1940 Act and/or an SEC Exemptive Order or relevant SEC NoAction Letter (e.g., Mass Mutual).

Other criteria that would make investment or disposition involving new or existing portfolio companies inappropriate for investment by one Fund include, without limitation: (i) the investment objectives or strategies of a Fund; (ii) the investment guidelines and/or restrictions of a Fund; (iii) applicable tax, legal or regulatory restrictions (including conditions of any applicable SEC no-action or exemptive relief); (iv) the liquidity objectives and constraints of a Fund, including during a ramp-up or wind-down of one or more Funds, proximity to the end of a Fund’s specified term or investment period, and redemption/withdrawal requests, anticipated future contributions and available cash; (v) tax considerations applicable to a Fund; (vi) risk, diversification or investment concentration parameters for a Fund, (including, fixed or floating rate requirements, industry categories and credit rating requirements); (vii) characteristics of the security or loan (including the expected return, type of security, seniority in the capital structure, and call and put features); (viii) supply or demand for a security at a given price level; (ix) size of the available investment, liquidity and duration of the investment opportunity; (x) cash availability, suitability, Client instructions, whether a purchase is being made for specific Fund, permitted leverage and available financing for the investment opportunity (including, without

limitation, taking into account the levels/rates that would be required to obtain an appropriate return); (xi) whether the Fund is in the process of fundraising or is open to redemptions (in which case, notions of net asset value and available capital may be subjectively adjusted to account for anticipated inflows or redemptions); (xii) the likelihood of current income; (xiii) with respect to an investment opportunity originated by a third party, the relationship of a particular Client (or the portfolio manager) to or with such third party; (xiv) whether the investment opportunity is a follow-on investment; (xv) avoiding a *de minimis* allocation; (xvi) availability and degree of leverage and any requirements or other terms of any existing leverage facilities; (xvii) the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals dedicated to a Fund; (xviii) the management of any actual or potential conflict of interest; and (xiv) such other factors as may be relevant to a particular transaction.

## **ii. Tradable Credit**

Investment decisions for each Tradable Credit Client of First Eagle Alternative Credit generally are completed independently. However, FEAC is permitted to purchase or sell the same securities for a number of Client simultaneously. Transactions will only be aggregated (“batched” when the Tradable Credit believes that doing so is consistent with its fiduciary duties, applicable law and the governing documents of the applicable Clients. For securities that trade in liquid markets (e.g., U.S. Government or Agency securities), orders may not be batched in situations where speed of execution is important and sufficient quantities exist such that execution quality is not likely to be impacted. When effecting batched transactions, FEAC follows procedures that are designed to ensure that no participating Client is favored over any other Client. Specifically, each Client that participates in a batched transaction will participate on a pro rata (whether by AUM or issuer exposure), target percentage, or other objective basis, as described below, unless a Client’s governing document (e.g. client investment guidelines), or a *de minimis* case applies to the trade. If FEAC is unable to fully execute a batched transaction, the securities are allocated pro-rata, when possible, to the participating Client in proportion to the size of the order placed for each account. FEAC may, however, depending on the underlying investments, increase or decrease the amount of securities allocated to each account, by applying various *de minimis* standards in order to avoid holding odd-lot or small numbers of securities for particular Clients. Additionally, if FEAC determines that it would be impractical or inappropriate to allocate such securities among the accounts participating in the transaction on a pro-rata basis, it may allocate such securities in a manner deemed, in good faith, to be a fair allocation taking into account such considerations, including, but not limited to: (i) the investment objectives of the accounts; (ii) diversification within the respective accounts; (iii) liquidity and cash available for investment in each account; (iv) the assets of such accounts; (v) the respective sizes of such accounts; (vi) credit ratings; (vii) the amount of securities proposed to be purchased or sold in the accounts; (viii) assignment fees; (iv) applicable rates spread (i.e. SOFR); (x) country of domicile; and (xi) loan security package and documentation.

In situations where purchases of securities in an underwritten public offering (“fixed income new issues”) are considered at the same time for two or more FEAC Clients, the transactions in such securities will be allocated in good faith among such Clients in the manner described above that is deemed to be fair and equitable by FEAC.

## **Investment of New Accounts**

For new Tradable Credit institutional accounts, private funds or CLO accounts, FEAC allows an extended time frame (generally up to three months) to fully invest the account depending upon the size, investment guidelines and restrictions of the account. The primary factors in determining how to allocate securities to new accounts includes the account's cash balance, investment objectives, diversification requirements and credit ratings. Therefore, new accounts may receive a higher priority during allocations of new issue offerings (depending on primary market activity) based on these characteristics.

### **Co-Investments Allocations**

In certain circumstances, FEAC will determine that a co-investment opportunity should be offered to one or more unaffiliated third parties, including investors in one or more Clients or private funds and will exercise discretion with respect to which co-investors are offered such opportunity. Each co-investment opportunity is generally different and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, etc.). Different situations will require that the various facts and circumstances of each opportunity be weighed differently. Such factors are likely to include, among others: (i) whether the potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of FEAC, the Clients or other co-investments; (ii) the ability of a potential co-investor to process a co-investment decision within the required timing deadline of the particular transaction; and (iii) such other factors that FEAC deems relevant under the circumstances. Generally, FEAC will, prior to making any co-investment opportunities available to any co-investor, determine whether any given investment opportunity is appropriate for other Clients pursuant to the contractual terms governing such other Clients, taking into account the other Clients' investment strategies, FEAC's policies, procedures and practices, and FEAC's fiduciary duties. It is expected that few investors who express an interest in participating in co-investments alongside one or more Clients will ultimately be offered an opportunity to so participate.

### **Cross Transactions**

To the extent permitted under applicable law, from time to time, and when it deems it to be appropriate for one Client to purchase a security and for another to sell the same security (i.e., a cross trade), FEAC places cross trades for Clients with one or more broker-dealers or effect the cross-trade through the applicable custodians in an attempt to seek the best execution for each Client by obtaining reduced transaction or executions costs for each Client. Where cross trades are conducted pursuant to Client Agreements relating to private funds, the trades may not be exposed to the market and, in such instances, it is possible that a Client will not receive the best price otherwise possible. Since, in such transactions, FEAC will represent both the Client-seller and the Client-buyer, FEAC will have a conflict of interest given the obligation to seek the best price and most favorable execution. In such situations, FEAC will obtain the written consents required (which may be done via electronic mail) from both the buying and selling Clients as required under the Advisers Act. FEAC will not execute cross trades for Client that are subject to ERISA, and when executing cross trades for registered investment companies, e.g., mutual funds, it will only do so in accordance with Section 17(a) and/or other provisions of the 1940 Act, as applicable.

**Trade Errors**

FEAC has adopted a trade error policy designed to ensure that any errors caused by the firm are resolved in a timely manner, in the best interests of its Clients, and in accordance with the Client Agreements relating to the impacted Client.

**Delegation and Use of Agents**

FEAC, at its own discretion, employs agents from time to time to perform any administrative or ancillary services required to enable it to perform its services under its investment management agreements without further notification to or the consent of a Client, provided that any such delegation shall be revocable by FEAC. FEAC will act in good faith and with due diligence in the selection, use and monitoring of such agents. FEAC shall remain responsible for its obligations hereunder and for all actions of any such agents to the same extent as FEAC is liable for its own actions hereunder.

### **Item 13 – Review of Accounts**

For the Direct Lending platform, Clients' portfolios are generally private, illiquid and long-term in nature. Accordingly, FEAC's review of Client portfolios is not directed toward a short-term decision to dispose of securities. However, FEAC closely monitors the portfolio companies of the Clients. The portfolios are reviewed by a team of investment professionals on an on-going basis. The team includes the members of the Direct Lending Investment Committee and other investment professionals of FEAC.

For the Tradable Credit platform, the Tradable Credit professionals perform day-to-day portfolio credit monitoring which consists of reviewing and analyzing the financial condition of all portfolio credits on a continuous basis. Regular staff meetings allow for the review and discussion of market conditions and portfolio price movements, the forward calendar, secondary market activity and watch list credits. Client accounts are reviewed on an ongoing basis. This review focuses on adherence to investment guidelines, execution of investment strategy, credit risk, performance and leverage guidelines, if applicable. These reviews are performed by the Tradable Credit Investment Committee.

Tradable Credit transactions are generally governed by terms and conditions set forth in credit agreements, which contain numerous restrictive covenants with which to comply. These covenants place limitations on certain activities, particularly in the areas of financial performance, indebtedness and acquisitions, in order to provide the senior lending group with a level of control throughout the duration of the credit facilities. High yield instruments are typically governed by terms and conditions in the form of a trust indenture, which also contains numerous restrictive covenants with which to comply. FEAC closely monitors covenant maintenance and performs ongoing stress testing in its credit monitoring process.

FEAC's investors receive written reports that vary according to investment product (i.e., SMA, private fund or CLO) but typically consist of monthly or quarterly summaries of account characteristics, performance information and market commentary.

Private fund investors will receive a quarterly statement from the fund's administrator or FEAC. Private fund investors will also generally receive audited financial statements within 120 days of the fund's fiscal year-end.

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

FEAC or its affiliates have entered into one or more (i) placement arrangements with unaffiliated third parties to solicit investors in the various private funds managed by FEAC or its affiliates and to seek to find Clients for FEAC and (ii) solicitation arrangements with unaffiliated third parties to solicit Clients for, or refer Clients to, FEAC. FEAC or its affiliates expect to pay a retainer fee, a services fee and/or a portion of the management fees earned in respect of investors and/or Clients introduced or referred by any such third party. Any such fee will not increase the fees charged to an investor or a Client. In addition, FEIM has adopted incentive plans and enters into agreements from time-to-time that provide for cash payments to its employees and employees of its subsidiaries who develop and refer new business. Such plans or agreements include those with certain directors of FE Holdings, or their affiliates, who have industry affiliations with other financial firms, including firms affiliated with Blackstone and/or Corsair. There are also FE Holdings non-employee directors who serve as directors of broker-dealers or as principals of investment adviser firms which do business with FEAC and Clients. In these circumstances, FEAC will ensure that each employee, affiliate, third-party solicitor, or placement agent (collectively, "Promoters") complies with the applicable requirements in Rule 206(4)-1 under the Advisers Act. Such requirements may include, depending on the circumstances, maintenance of a written agreement between FEAC and the Promoter, and delivery by the Promoter of certain disclosures to prospective clients or prospective private fund investors setting forth the nature of the relationship between the Promoter and FEAC, any fees to be paid to the Promoter, and related conflicts of interest.

Investors or prospective investors should be aware that these plans or arrangements create a conflict of interest between an investor and the relevant placement agent. This conflict may continue after an investment is made in that payments under these plans or arrangements may be made by reference to the amount of the investment maintained with FEAC over time.

## **Item 15 – Custody**

FEAC is, due to certain arrangements giving it or an affiliate control over or access to Client assets, deemed to have custody of certain Client assets for purposes of Advisers Act Rule 206(4)-2 (the “Custody Rule”). Except as otherwise permitted by the Advisers Act, such cash and securities are maintained in accounts established with qualified custodians as defined in the Custody Rule (each, a “Qualified Custodian”).

### **Separately Managed Accounts, Non-Discretionary Accounts**

FEAC does not act as custodian or maintain physical possession of Client funds and securities that a Client maintains in an SMA or in a non-discretionary account. Separately managed and non-discretionary account Clients may receive a statement from the custodian as well as from FEAC. Clients are urged to review the statements for accuracy. FEAC’s statements may vary from custodial statements because of differences in accounting procedures, reporting dates or valuation methodologies of certain securities.

### **Private Funds**

With the exception of certain privately offered securities, physical custody of assets of a private fund will be maintained by a qualified custodian. FEAC acts as general partner or investment adviser to limited partnerships or limited liability companies and may be deemed to have custody of Client assets. Client assets in pooled investment vehicles are either subject to an annual audit by an independent account firm that is provided to investors within 120 days after fiscal year-end or will undergo an annual surprise examination by an independent public accountant.

### **Agent Account**

As noted above, FEAC or its affiliate (“FEAC Agent”) serves as the administrative agent for certain loans in which Clients invest. Funds related to such loans and attributable to such Clients (“Client Funds” related to “Client Loans”) are commingled in an account established by FEAC Agent for that purpose (the “Agent Account”) with funds attributable to other lenders, including FEAC, its affiliates or third-parties, and/or related to other loans (“Other Funds” related to “Other Loans”). The Agent Account is held with a Qualified Custodian in the name of FEAC Agent for the benefit of lenders including Clients who are lenders under various loans. No account statements for the Agent Account are provided to Clients.

In its role as administrative agent, FEAC Agent performs a variety of traditional services pursuant to credit agreements in accordance with negotiated guidelines regarding the movement of cash into and out of the Agent Account for such purposes as collecting and distributing loan proceeds or payments. As administrative agent, FEAC Agent must apply the terms of the credit agreement in dealing with funds in the Agent Account and has no authority to determine how such funds are used, allocated or disbursed; however, other than the terms of the credit agreements, nothing prevents an administrative agent from withdrawing cash from the Agent Account for unrelated purposes. Therefore, and in light of SEC staff guidance, FEAC considers itself to have custody over the Client Funds in the Agent Account for purposes of the Custody Rule.



## **Item 16 – Investment Discretion**

### **Discretionary**

FEAC accepts discretionary authority to supervise and direct investments for and on behalf of its Client accounts. FEAC exercises this discretionary authority in originating, structuring, negotiating, purchasing, lending, syndicating, securitizing and eventually divesting investments on behalf of our Client accounts. FEAC assumes this authority through the execution of an investment advisory agreement with the Client which explains the nature of FEAC's authority to manage investments in the account subject to the terms of written investment policies and guidelines established by the Client. To the extent that an investment is made into other investment funds or vehicles, including holding companies and CLOs managed by FEAC, Clients will also be dependent on FEAC for management of those entities.

When making investment decisions, FEAC observes the investment policies, limitations and restrictions of the Client accounts that we advise. For registered investment companies and BDCs, FEAC's authority to make investment decisions could also be limited by certain federal securities and tax laws that require diversification of investments, limit leverage, prohibit certain joint transactions and favor the holding of investments once they are made. Other limitations on FEAC's authority vary depending on an individual Client's investment policies and guidelines. For example, a Client may limit FEAC's authority by prohibiting or limiting the purchase of certain security types or industry sectors. In some cases, the Client may direct FEAC to hold securities transferred by the Client upon the commencement of the account relationship even though they may not be in compliance with the Client's investment policy. In these instances, FEAC will use reasonable efforts to dispose of such securities promptly, and Clients will bear any associated costs and market risks during the disposition process.

### **Non-Discretionary**

FEAC may also provide non-discretionary investment management services to Clients whereby it is required to obtain consent from a Client before effecting any transactions for a Client's account.

## **Item 17 – Voting Client Securities**

In the normal course, FEAC does not expect to hold securities or other assets in Client accounts that will require voting proxies. For the Direct Lending platform, FEAC does not generally vote proxies on behalf of its Clients' accounts, as proxy voting is not applicable based on type of investments which are generally made into private and middle market companies. For the Tradable Credit platform, FEAC does not generally vote proxies on behalf of its Clients' accounts, as proxy voting is not applicable to the asset class. However, FEAC is permitted to occasionally participate in a loan workout or creditor committee and FEAC will represent its Clients' long term best economic interest without regard for FEAC's own interests.

Consistent with its fiduciary obligations, FEAC has adopted proxy voting guidelines that are designed to provide guidance with respect to certain types of proxy voting proposals that may arise. The guidelines have been developed based on the concept that implicit in the initial decision to retain or invest in the security of a corporation is approval of its existing corporate ownership structure, its management and its operations. Accordingly, where it has voting authority, FEAC will generally vote proposals in accordance with management recommendations, provided that FEAC determines that supporting such proposals are likely to increase the value to the investments held in its Clients' accounts.

In instances where a potential conflict of interest exists, FEAC will address such conflict by following its internal procedures in the way that mitigates the potential conflict or alternatively will rely on the recommendation of an independent third party to carry out its voting decision. .

Clients may request a copy of FEAC's proxy voting records as well as a copy of the current Proxy Voting Policies, Procedures and Guidelines by sending a written request to FEAC. Our contact information is included on the cover page of this Brochure.

**Item 18 – Financial Information**

FEAC does not require or solicit prepayment of its fees. There are no financial conditions that are likely to impair FEAC's ability to meet its contractual commitments to Clients. FEAC is not otherwise required to provide information about its financial position.