Capitala Private Advisors, LLC

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Part 2A of Form ADV: Firm Brochure

December 18, 2024

This brochure provides information about the qualifications and business practices of Capitala Private Advisors, LLC ("CPA"), its relying adviser Capitala Global Advisors, LLC ("CGA") (collectively, unless otherwise noted in this brochure, the "Adviser," "we," "our," or "us"). If you have any questions about the contents of this brochure, please contact us at 704.376.5502. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. If you have any questions about the contents of this brochure, please contact Kevin Koonts, Chief Compliance Officer, at 704.936.4939 or kkoonts@capitalagroup.com.

CPA and CGA are registered investment advisers. The term registered investment adviser reflects CPA and CGA's registration with the SEC and does not imply a certain level of skill or training.

Additional information about CPA and CGA is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Item 2 discusses only material changes made since an adviser's last Annual Updating Amendment to its brochure.

Pursuant to the Form ADV Other-Than-Annual Amendment, this Brochure replaces our previous brochure filed on March 27, 2024.

The Adviser is updating its Brochure to reflect CGA as a relying adviser to CPA.

This update does not reflect a material change to the Adviser's investment strategies, fees, or services.

The Adviser will update this Brochure no less than annually.

Item 3: Table of Contents

Item 4: Advisory Business

A. Description of Advisory Firm and Identity of Principal Owners

CPA was formed as a Delaware limited liability company in February 2016. Our principal executive office is located at 4201 Congress Street, Suite 360, Charlotte, North Carolina 28209, and our main telephone number is 704.376.5502. The Firm's Chief Compliance Officer is Kevin Koonts.

Mr. Joseph B. Alala, III is the Founder and CEO of CPA. CPA is a wholly owned subsidiary of Capitala Investment Advisors, LLC ("CIA"), which is principally owned by Atlas Capitala Investments, LLC. Atlas Capitala Investments, LLC is wholly owned by Capitala Trust. Mitsui & Co. (U.S.A.), Inc. holds a 20% minority interest in CIA.

CGA, as an affiliate of CPA, is relying on the registration of CPA. The principal owners, executive officers and directors of CPA and CGA, as well as persons owning 25% or more of the Adviser, are listed in the Adviser's Form ADV, Part 1A on Schedule A, Schedule B, or Schedule R, respectively.

CPA is currently the adviser to CapitalSouth Partners Fund III, L.P. ("Fund III"), CapitalSouth Partners SBIC Fund IV, L.P. ("Fund IV"), Capitala Private Credit Fund V, L.P. ("Fund V"), and Capitala SBIC Fund VI, L.P. (Fund VI"). CPA also advises certain non-discretionary private investment vehicles and may be adviser to other private funds or discretionary and non-discretionary private investment vehicles in the future (collectively with Fund III, Fund IV, Fund V and Fund VI, "Clients," and each individually, a "Client"). Discussions related to CPA's current private funds, Fund III, Fund IV, Fund V and Fund VI, will be collectively referred to as the "Funds" except when disclosure necessitates to reference separately.

Fund III is a fund of funds primarily invested in Fund IV. Fund IV is a private equity fund that is licensed as a small business investment company ("SBIC") by the Small Business Administration ("SBA") and is subject to the rules and regulations promulgated under Title III of the Small Business Investment Company Act of 1958, as amended (the "SBIC Act"). Fund VI is a private equity fund that received its SBIC license on February 24, 2023. Among other things, the SBICs are subject to certain regulations administered by the SBA, including regulations restricting the size and nature of a portfolio company in which the SBICs may invest, requirements to diversify investments, and distribution restrictions related to the valuation of the SBICs' assets. Because the key personnel of the SBICs' management team also serve as key personnel of CPA, the same individuals will be providing services to the SBICs. Fund V is a non-SBIC private equity fund. Fund IV, Fund V, and Fund VI's investments are generally structured to earn current income through cash interest payments and may also include return enhancements including: (i) paid-in-kind ("PIK") interest; (ii) equity warrants; and/or (iii) other equity-linked securities.

Currently, CPA's advisory clients are the Funds and certain other private investment vehicles. These Clients are generally commingled funds with multiple investors, but other Clients also could include certain private investment vehicles formed for specific investors to invest alongside other Clients. CPA's Clients may also include special purpose vehicles formed to make specific individual investments, individually or alongside other Clients.

CGA is a Delaware limited liability expecting to commence operations in December 2024. Our principal executive office is located at 4201 Congress Street, Suite 360, Charlotte, North Carolina 28209, and our main telephone number is 704.376.5502. It is expected that CGA's advisory clients will be private funds and certain discretionary and non-discretionary private investment vehicles.

Mr. Joseph B. Alala, III is the Founder and CEO of CGA. CGA is owned by Atlas Capitala Investments, LLC. Atlas Capitala Investments, LLC is wholly owned by Capitala Trust.

B. Types of Advisory Services Offered by the Adviser

As the investment adviser for the Clients, the Adviser provides various investment management services including: (i) sourcing of debt and equity investments; (ii) conducting due diligence; (iii) structuring and consummating transactions; (iv) portfolio company management (when appropriate); (v) monitoring of financial and operational performance and compliance; and (vi) executing the disposition of investments. The primary focus of the Clients is making privately negotiated debt investments and equity investments in portfolio companies across various industries, including leverage acquisitions and recapitalizations, traditional buyouts and investments in growth companies. The Adviser's investment advice for Clients is generally limited to these types of investments, though the Adviser may cause any Client to make any investment that is consistent with the applicable Client's investment objectives and strategies.

The Adviser provides investment advisory services to Clients pursuant to a separate management services' agreement (a "Management Agreement") or similar contractual arrangement. Pursuant to regulations promulgated under the SBIC Act, each Management Agreement with a Client that is a licensed SBIC must be reviewed and approved by the SBA.

The Adviser, or its related entities, may enter into side letter agreements with investors in the Funds, establishing rights under, or supplementing or altering the terms of, the limited partnership agreement and subscription agreements. Except as may be specified in any given investor's side letter, neither the Adviser nor its related entities have obligations to offer such additional or different rights, terms or conditions to any other investor. Once invested in the Funds, investors cannot impose additional investment guidelines or restrictions on the Funds.

As noted above, the Adviser may occasionally provide other investment advisory services, such as underwriting of investments and deal sourcing, to other private investment firms.

C. Tailoring of Services to Client and Restrictions on Investing in Certain Securities

The Adviser's advisory services are tailored to the needs of the Clients it manages, subject to applicable law, as well as any applicable investment restrictions or mandates imposed by the Clients. As noted above, the primary focus of the Clients is to make privately negotiated debt investments and equity investments in companies, including leveraged acquisitions and recapitalizations, traditional buyouts and investments in growth companies. Certain investment limitations are set forth in the governing documents of the Clients, which are provided to and negotiated with the investors in the Clients. In addition, in the case of a Client established for a particular investor as described above, the investor may have the right to reject individual investment opportunities or further limit or impose restrictions on the investments made by that Client.

D. Wrap-Fee Programs

Not applicable.

E. Amount of Client Assets under Management

Based on December 31, 2023 financial statements, the Adviser has a total of approximately $474.1mm in regulatory assets under management, of which $398.9mm are discretionary and approximately $75.2mm in regulatory assets under management on a non-discretionary basis.

Item 5: Fees and Compensation

The fees and expenses paid to the Adviser by the Clients are governed by the Clients' offering documents and was negotiated with the Clients' investors, respectively As a result, compensation paid may vary for

each Client. Clients and investors should review the relevant offering documents to understand the total amount of fees and expenses that may be charged.

Depending on the Client, management fees are generally based on capital commitments (including committed leverage), invested capital, or net asset value. The annual rate of management fees paid will vary based on the Client's respective offering documents. Management fees are paid in advance for most Clients, though some may pay management fees will be paid in arrears based on the terms of the Client's offering documents. The Adviser will either deduct management fees from the Client's account or bill the Client for quarterly management fees, as outlined in the Client's respective offering documents. Management fees payable by Funds that are licensed SBICs, such as Fund IV and Fund VI, are further subject to SBA approval. The Adviser may, in its sole discretion, waive all or any portion of any management fees otherwise payable to it by a Client. The Adviser and its affiliates have a history of granting fee waivers from time to time. Clients should not assume, however, that the Adviser will in the future waive all or any portion of management fees that may be due and owed to the Adviser.

Clients will be subject to a performance fee in the form of carried interest derived from the income generated by the underling portfolio companies. Carried interest is typically allocated to an affiliate of the Adviser, which generally is the Client's general partner, pursuant to a contractual distribution schedule as negotiated in the Client's offering documents. See Item 6 below for a discussion of performance fees that may be earned by the Adviser and its affiliates with respect to the Clients.

Certain Clients will also pay a one-time fee as portfolio investments are made. The fees are payable in cash at the time of the closing of the portfolio investments at a rate negotiated between the Adviser and the Client as outlined in the Client's offering documents.

The Funds will be subject to other organizational expenses, generally subject to a cap on such fees, costs or expenses incurred in connection with the organization of the Fund and the general partner. Any organizational expenses incurred in excess of the cap detailed in the Fund's Offering Documents will be borne by the Adviser and/or the general partner. The Funds will incur costs in the evaluation, acquisition, and disposal of investments including accounting and auditing fees, legal fees, due diligence fees, third party research or consulting fees, and other service provider fees. The Adviser aims to minimize these expenses by requiring an upfront deposit from the target portfolio company or having the portfolio company pay such expenses directly at the time the investment is funded. The Funds will also incur other operational expenses as outlined in the Fund's offering documents, including but not limited to, interest and financing expenses on any credit facilities, custody fees, any brokerage and finders' fees, taxes, legal fees, audit and accounting fees, administrator fees, fees for partnership meetings, and insurance (including premiums for directors' and officers' insurance). Please consult the offering documents for a complete list of all expenses charged to a particular Fund.

In addition to fees paid by the Clients, the Adviser or its affiliates will also earn fees from portfolio companies for certain administrative agent fees, monitoring fees, financing fees, divestment fees and other similar fees in connection with portfolio investments of the Clients as compensation for services provided to its portfolio companies. Such fees are not earned on all investments originated by the Clients and are dependent on the terms negotiated between the Adviser or its affiliates and the portfolio company and the need for such services by the portfolio company.

The Adviser or its affiliates, as part of its origination pipeline, will generate investment opportunities from time to time that are not appropriate for the Clients or exceed the target allocation for any given Client. In those instances, the Adviser or its affiliates will offer such investment opportunities to third party investors and will typically receive a portion of the upfront origination fee as compensation for its work as negotiated with the third-party investor.

Item 5 (E) of Form ADV Part 2A requires us to disclose whether we or any of our supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. Neither we, nor any of our supervised persons accept any such compensation but the Adviser does have certain employees that are deemed dual-hatted as they are also registered representatives of Capitala Securities LLC, a FINRA registered broker-dealer (see Item 10 (A) for additional information). As such, certain registered representatives will receive transaction-based compensation (i.e., bonus) from the broker-dealer. This compensation can be attributed to fees paid to the broker-dealer for deal sourcing activities related to third-party arrangements or ongoing advisory services to private companies, including portfolio companies of the Clients. Capitala Securities, LLC is responsible for any compensation paid to its registered representatives.

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

As noted in Item 5, the Advisor generally does not receive performance-based fees from the Clients. Instead, the general partner of each Client receives carried interest or similar performance-based compensation or allocation as described in each Client's offering documents.

The Adviser and its affiliates do not currently manage accounts that are charged a performance fee alongside other accounts that are not. The Adviser and its affiliates currently manage multiple accounts that invest in the same types of securities and may co-invest together in the same transactions. Such different accounts may bear carried interest at different rates or may be at different stages of their carried interest "waterfall," making them more or less likely to make carried interest distributions at any given point in time. The foregoing could result in potential conflicts of interest in the allocation of new investment opportunities, and potentially also in connection with the management and disposition of investments, because these allocations and other determinations could be affected by the likelihood that we will earn performance-based fees or the amount thereof. To mitigate the conflicts, the Adviser has implemented an investment allocation policy to fairly allocate investment opportunities to its Clients for which it has full investment discretion and a co-investment policy to fairly allocate investment opportunities to its Clients for which it does not have full investment discussion.

The Clients may have investment objectives and policies that could be substantially similar to or overlap with each other. The Adviser owes distinct fiduciary duties to their respective clients that require it to treat those clients fairly and equitably such that no client receives preferential treatment vis-à-vis the others over time. See Item 11 (C) below for a discussion of investment allocations and related conflicts of interest among the Clients.

Another potential conflict of interest that does arise from our charging performance-based fees is that it may create an incentive for us to cause Client accounts to engage in riskier investment behavior due to the higher return potential.

Item 7: Types of Clients

As stated previously, our Clients are the Funds and certain other private investment vehicles. For more information, see Item 4—Advisory Business. The minimum subscription for an investment in the Funds is $1 million (waivable by the Funds' general partner, as the case may be).

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

A. Methods of Analysis and Investment Strategies

The Adviser provides investment recommendations related to our Clients' specific investment strategies. The Funds primarily make debt investments and equity investments in lower middle-market operating companies. Some Clients may focus more on equity investments, and in particular, control equity investments. In evaluating potential portfolio investments, the Adviser conducts extensive due diligence to analyze, among other things, the prospective portfolio company's operating cash flow and capacity to adequately service its debt obligations, the market and the company's competitive position within the market, the company's cost and revenue structures, the company's unique assets, such as brand strength, distribution capability and intellectual property, the company's management team and compensation structure, the company's contingent liabilities (e.g., environmental, regulatory, accounting, legal, etc.), the company's potential growth opportunities, and potential exit strategies.

The Adviser's investments are typically sourced directly through its internal deal generation strategy and networks. Our underwriting, portfolio management, and back-office operation functions are centralized at our Charlotte, North Carolina headquarters

Fund IV and Fund VI are subject to the SBA's rules and regulations and are required to invest in companies that are primarily U.S. based. Other Clients may invest in companies that are located or headquartered outside the U.S., as permitted by the Client's offering documents.

In each Client it advises, the Adviser seeks to build a portfolio that is diversified with respect to transaction type, geographic exposure (as the same may be limited by the governing documents of the Clients) and sector. The Adviser also seeks to maintain investment balance across industries that it believes are stable or otherwise attractive and industries with attractive long-term growth trends. After a potential transaction has been identified as satisfying the initial screening process, the Adviser prepares a financial model and a company write- up to be shared with the entire investment advisory team. Each potential investment must not only pass operational and strategic hurdles but must also pass a standardized financial model and matrix that reviews projected returns, leverage and fixed charge coverage ratios, and portfolio fit.

The Adviser (typically in conjunction with other transaction parties) will often engage independent industry specific consultants to conduct operational and financial due diligence, and in almost all cases will engage an outside consultant to perform a quality of earnings review for a prospective transaction.

All of the Clients are integrated through one centralized investment review process, from sourcing through portfolio management.

Investing in securities involves a risk of loss that the Funds and the investors therein should be prepared to bear. Item 8 (B) below explains in greater detail certain risks involved in our investment strategy and method of analysis.

B. Material Risks involved in Investment Strategy and Method of Analysis

The investment strategies described above involve a substantive degree of risk, and Clients may lose all or a substantial portion of the value of their investments. Certain additional material risks relating to the investment strategies and methods of analysis described above are as follows:

Advisory Risk – There is no guarantee that the Adviser's judgment or investment decisions about particular securities or asset classes will necessarily produce the intended results.

Financial Markets Risks – Our business is materially affected by conditions in the global financial market and general economic conditions, e.g., interest rates, credit availability, inflation, overall economic uncertainty, changes in laws and regulations, national and international political circumstances (including wars, terrorist acts or security operations), and other market disruptions including those caused by the COVID-19 pandemic and the Russian invasion of Ukraine. These factors may affect the liquidity and value

of investments. The Adviser expects that Clients will encounter competition from entities having similar investment objectives, certain of which may have competitive advantages over our Clients in bidding for investments, including greater financial, technical, marketing and other resources, higher risk tolerances, different risk assessments, lower return thresholds, lower cost of capital and access to funding sources unavailable to Clients.

Clients may be affected by reduced opportunities to exit and realize value from their investments and by the fact that we may not be able to find suitable investments for Clients to effectively deploy capital. During difficult market conditions or slowdowns in a particular business sector, Clients may experience difficulty in the companies in which it invests, e.g., decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may be unable to meet their debt service obligations or other expenses as they become due, including interest expenses payable to Clients. Such economic conditions would also increase the risk of default with respect to Clients' debt investments.

Leverage Risks – An important aspect of the long-term strategy of our Clients is the use of leverage, including leverage obtained from the SBA by Fund IV (the "Leverage Program"). The use of leverage may exacerbate losses and increase volatility because it will enable Fund IV, through the Leverage Program, to take positions that are in excess of the equity contributed to Fund IV by its investors. In addition, Fund IV needs operating revenues to make required payments of principal and interest on the loans from the SBA. Losses on a small percentage of Fund IV's investments made in the Leverage Program can result in a much larger percentage reduction in its investment returns. SBA and most other leverage providers require that interest be paid on a current basis and the income from investments may not be sufficient to make the required payments. Thus, it may be necessary from time to time to use capital contributions or additional leverage to make these interest payments. Investments in leveraged entities are inherently more sensitive to declines in revenues, increases in expenses and interest rates, adverse economic, market and industry developments. Fund VI is not expected to seek SBA leverage; however, it does intend to obtain an asset-backed credit facility that will expose Fund VI to similar leverage related risks as noted above for Fund IV.

Certain of the Clients also may incur indebtedness from other sources in an effort to use leverage when making investments. There can be no assurance that debt financing will be available in acceptable amounts or on acceptable terms, if at all. The inability to raise debt financing could negatively affect the projected returns of any Client.

Competitors and Projections Risks – The Adviser may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Alternatively, the Adviser may experience decreased rates of return and increased risks of loss if we match investment prices, structures and terms offered by competitors. In addition, if interest rates were to rise or there were to be a prolonged positive market for equities, the attractiveness of our Clients relative to investments in other investment products could decrease. This competitive pressure may adversely affect our ability to make successful investments, which may adversely impact our business, revenue, results of operations and cash flow.

The Adviser's asset management activities involve investments in relatively high-risk, illiquid assets, and the Adviser's Clients may fail to realize any profits from these activities for a considerable period of time or lose some or all of the Funds' principal investments.

The capital structures of companies in which Clients invest are determined on the basis of financial projections for such companies, which normally are based primarily on management judgments. Projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained and actual results may vary significantly from the projections.

Intellectual Property Risks – If any of the portfolio companies in which our Clients invest are unable to protect its proprietary, technological, and other intellectual property rights, our Clients' investment could

be harmed. If the portfolio companies are required to devote significant resources to protecting their intellectual property rights, the value of our Clients' investment could be reduced.

Due Diligence Risks – Although the Adviser makes every effort to conduct appropriate due diligence prior to making an investment, the due diligence process may be subjective at times, may be required to be undertaken on an expedited basis in order to take advantage of available investment opportunities and may require the Adviser to rely on limited resources available to it including information provided by the target of the investment and third-party consultants, legal advisers, accountants and investment banks. As a result, the due diligence investigation may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

Key Personnel Risks – The success of Clients will depend in large part on the skill and expertise of the Adviser and its personnel, and there can be no assurance that any individual Adviser professional will continue to be associated with the Clients. The Adviser depends on its founder and other key personnel, the loss of whose services could potentially have a material adverse effect on the Adviser's business, investment strategy, and financial condition.

Diversification Risks – Any lack of diversification among our Clients' portfolio companies may result in significant losses if one or more of these companies default on its obligations under any of its debt instruments. Our Clients' portfolios may also be concentrated in a limited number of industries, which may result in significant loss if there is a downturn in a particular industry. While we strive for Clients to have a diverse portfolio within the class of assets in which Clients invest (i.e., debt and related equity investments in privately held lower middle-market companies), our investment strategy does not involve diversification across asset classes and an investment in the Funds or another Adviser managed investment vehicle should not be viewed as a complete or comprehensive investment program. Clients may also have limited geographic investment diversification.

Management of Portfolio Companies Risk – Although it is the intention of the Adviser to ensure that the Clients' portfolio companies have strong management teams, there can be no assurance that any portfolio company's management team will be able to operate successfully.

Legislative and Tax Risk – Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; change in the US government's guarantee of ultimate payment of principal and interest on certain government securities; and changes in the tax code that could affect interest income, income characterization and/or tax reporting obligations.

Regulatory Oversight Risks – The financial services industry in general, and the activities of private investment funds and their managers has been subject to increasing regulatory oversight. Such scrutiny may increase the Adviser's and the Clients' exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may impose administrative burdens on the Adviser, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Adviser's time, attention and resources from portfolio management activities. It is anticipated that, in the normal course of business, the officers of the Adviser may have contact with government authorities and/or be subject to responding to inquiries or examinations.

In connection with the disposition of an investment in a portfolio company, our Clients may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business and may be responsible for the content of disclosure documents under applicable securities laws. Clients may be required to indemnify the purchasers of such investments to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities for our Clients.

Third-Party Risks – Our Clients may co-invest with third-parties and those investments may involve risks

in connection with such third-party involvement, including the potential that the third-party investor may have financial, legal or regulatory difficulties, negatively affecting such investment, may have economic or business interests or goals that are inconsistent with those of the Client or may be in a position to take (or block) action in a manner contrary to our Clients' investment objectives.

Liquidity Risks – Most of our equity investments are expected to be illiquid, and any returns on them may be subject to the portfolio company's repayment of a substantial amount of debt. Accordingly, these equity investments may be more susceptible to economic downturns. In addition, a Client will typically not be contractually entitled to receive cash payments by any certain time and will not be entitled to a pre-determined cash return in respect of its equity investments. Because Fund IV and Fund VI will be required to repay outstanding leverage used by it to purchase those investments on a certain date, the making of equity investments by Fund IV and Fund VI will increase the chances that they will be unable to pay back all of this leverage when due.

Cybersecurity Risks – With the increased use of technology to conduct business, the Firm and its affiliates are susceptible to operational, information security, and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events that can arise from external or internal sources. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment, or systems; or causing operational disruption. Cyberattacks can also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Firm, its affiliates, or any other service providers (including but not limited to custodians and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to calculate asset prices, impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which an account invests, counterparties with which an account engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers) and other parties.

Additional risks are discussed in the offering documents pursuant to which interests in certain Clients are offered.

C. Material Risks involved in Particular Security Types

We invest in first lien loans, second lien loans, and equity securities of privately held lower middle-market companies. In addition to the risks described above, certain additional risks relating to such securities are as follows:

Investments in smaller companies of the type Clients target may be riskier in general than investments in larger companies, and any historical outperformance of investments in smaller companies may relate to this increased risk. In general, as compared to larger companies, lower middle-market companies of the type in which Clients invest may have more limited financial resources and borrowing options, may be more exposed to general economic downturns, and may be more susceptible to acute financial damage resulting from relatively unpredictable one-time events, such as litigation or the death of a company's founder. We may also have less information about the historical performance and operations of its portfolio companies than would be the case if we invested in larger companies.

Clients typically make current-pay, interest or dividend-bearing debt investments or preferred stock investments with stated maturities of not less than one year to small businesses that may have limited financial resources and are able to obtain only limited financing from traditional sources. Clients'

investments may or may not be secured by the assets of the portfolio company. Deterioration in the financial condition and prospects of Clients' portfolio companies usually will be accompanied by deterioration of their ability to pay the interest or dividends on the investments in them and of the value of the investments or any collateral that Clients hold. In most cases, the companies in which Clients invest will have indebtedness or equity securities or may be permitted to incur indebtedness or to issue equity securities, that rank senior to, or pari passu with, our debt and equity investments. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of Clients' investment. Also, many of the debt investments in which Clients invests will not be fully amortizing and if a borrower cannot repay or refinance such loans, the Client's results will suffer.

Some of the debt investments made by Clients will bear interest at fixed rates and, as a result, the value of these investments will be negatively affected by any increases in market interest rates. In addition, increases in interest rates could make it more expensive for Clients to borrow. Conversely, decreases in market interest rates could require certain of the Clients to accept lower interest payments with respect to the loans it makes to portfolio companies, and could also result in its portfolio companies prepaying amounts previously lent to them by Clients. In the event of such prepayments, the Clients may not be able to reinvest the proceeds that it receives in investments that are as profitable as the investments that were prepaid.

Investments by Clients will likely include debt instruments and equity securities of companies that we do not control, and such investments will be subject to the investment decisions of the controlling equity holders of the related portfolio companies. The investment decisions made by such controlling equity holders could be different than those that would be made by us if Clients were the controlling equity holders and such decisions could materially and adversely affect Clients' investment strategy and results with respect to any certain portfolio company.

Lack of control over a portfolio company reduces our ability to take actions that might be in the best interests of the Clients and their respective investors. Where Clients exercise control over a portfolio company borrower, the Clients may be subject to lender liability claims for actions taken by it with respect to a borrower's business or instances. It is possible Clients could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance. The likelihood of Clients being subject to such a claim may be increased to the extent it co-invests with other Clients managed by the Adviser and its affiliates.

Generally, there is no public market for the investments that the Adviser makes on behalf of Clients. Such investments will typically be highly illiquid, and Clients may not be able to realize any return on its equity investments until a sale or initial public offering of the portfolio company occurs. Even if such equity investments prove successful, they are unlikely to produce a realized return for Clients or their respective investors for a number of years.

Item 9: Disciplinary Information

There have been no legal or disciplinary events that are material to an evaluation of the advisory business of the Adviser or the integrity of the management of the Adviser.

In the interest of full transparency, on June 15, 2018, NovaFund Advisors, LLC ("NovaFund") filed a civil lawsuit against Capitala Group, LLC. NovaFund originally claimed that its firm is due certain monetary compensation under a term sheet proposal it entered into with Capitala Group, LLC for placement agent services for Fund V. NovaFund later joined CPA, CIA and Capitala Specialty Lending Corp. into the action under a veil piercing theory. In addition, NovaFund alleged that CPA, CIA and Capitala Specialty Lending Corp. were directly liable to NovaFund for damages on claims for breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment, fraud, tortious interference with business expectancies and violations of the Connecticut Unfair Trade Practices Act. The parties settled the case on May 27, 2022, and NovaFund was paid an agreed amount pursuant to a confidential settlement agreement

without an admission of liability or wrongdoing by any of the parties.

Item 10: Other Financial Industry Activities and Affiliations

Currently the Adviser has management persons and other personnel registered with Capitala Securities, LLC ("CS"), a closely related full-service broker-dealer (see Item 10 (A) below for further information). These employees are considered dual-hatted as they are registered representatives of the broker-dealer and continue to work for the Adviser. Neither the Adviser nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. None of our management persons are registered as or currently seeking registration as associated persons of any of the foregoing type of firms.

Except for arrangement with CS and the fact that the general partner of each of the Clients, which could be viewed as the sponsor of the private fund, is a related party of the Adviser and the relationships among the Adviser and the Clients (as discussed more fully below), neither the Adviser nor any of its management persons has any financial industry relationship or arrangement that is material to its advisory business or its Clients with any related person that is an investment company or other pooled investment vehicle; another investment adviser or financial planner; a futures commission merchant, commodity pool operator, or commodity trading advisor; a banking or thrift institution; an accountant or accounting firm; a lawyer or law firm; an insurance company or agency; a pension consultant; or a real estate broker or dealer.

Generally, the Adviser does not recommend or select other investment advisers for its Clients. For a more detailed discussion of the allocation of investment opportunities among the Clients, see Item 11(C)– Investment in Same Securities or Related Securities Recommended.

From time to time, the Adviser will engage in sub-advisory relationships with institutional clients to provide non- discretionary sub-advisory services. These relationships have compensation arrangements in accordance with their respective sub-advisory agreements.

A. Capitala Securities, LLC

CS is a member firm of the Financial Industry Regulatory Authority, Inc. ("FINRA"), and is registered as a full-service broker-dealer. CS and CPA are closely related entities as documented by the contractual agreements described below.

CS has a Shared Services Agreement with the CPA in which CS agrees to pay a monthly fee to the Adviser for certain expenses paid by the Adviser on behalf of CS which include but are not limited to office space rent, overhead charges pertaining to utilization of certain Adviser employees as independent contractors, facilities use, information technology and administrative expenses. In addition, the two entities have an Advisory and Consulting Services Agreement in which CS has been engaged by the Adviser to provide certain services including consulting and advisory services related to fundraising and investment activities of the Adviser and its affiliates. For these services, CS charges the Adviser a monthly fee.

From time to time, CS will provide transaction advisory and consulting services to potential and existing portfolio companies of the Adviser's Clients. CS is engaged directly by the portfolio companies to help aid in completing a transaction and/or provide ongoing advisory services and may receive certain fees from the portfolio company. There are no direct fees that are paid by Adviser Clients unless Adviser Clients directly engage CS. Any such fees received by CS are not subject to management fee offset. Such services provided by CS create potential conflicts of interest amongst the Adviser, CS, and the Clients.

When it comes to the decision whether to engage CS for such services and the compensation payable (subject to any governing and capitalization documentation):

(i) CS engagements with the Adviser, its funds and certain other private investment vehicles engagements will not require the consent of the portfolio companies, any other investors, lenders or stakeholders.
(ii) CS engagements with portfolio companies will require the consent of portfolio companies but will not require consent from any other investors, lenders or stakeholders.

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

A. Code of Ethics

The Adviser has a comprehensive Code of Ethics that is applicable to all of its officers and employees to help avoid insider trading and otherwise to ensure that the Adviser and its employees act in an ethical manner and in accordance with applicable securities laws. In general, the Code of Ethics provides for the following:

- Standards of conduct required of employees, reflecting the fiduciary duties owed by the Adviser and its employees to Clients;
- Compliance with applicable securities laws, including those pertaining to insider trading;
- Reporting by Adviser's employees of (and pre-clearance with respect to certain types of) personal securities holdings and transactions;
- Compliance with certain policies and procedures relating to political contributions and gifts and entertainment;
- Compliance with certain policies and procedures relating to outside business activities.
- The reporting of violations of the Code of Ethics; and
- The education of employees about the Code of Ethics.

The Adviser maintains the Code of Ethics at its corporate headquarters. Each of our employees has been furnished with a copy of and has acknowledged his or her understanding of our Code of Ethics, and the Adviser will provide a copy of its Code of Ethics to any current and/or prospective Client or investor upon request.

Certain employees have been granted discretionary equity interests in certain Funds as part of their overall employment compensation package. The Adviser does not believe that these investments create a conflict of interest between the Adviser and its investors due to the pooled nature of the investments.

Certain employees may seek outside business activity in the form of board seats (not related to a Client portfolio company), advisory boards, consulting arrangements, charitable foundation positions, or other outside interests that take up time outside of the Adviser's regular business activity. Such opportunities must be cleared with the CCO (in consultation) to ensure that the outside business activity does not create a conflict of interest with the Adviser or distract from the employee's normal duties. The Adviser has granted several employees permission to conduct outside business activities based on review of the facts and circumstances of each request.

B. Investments in Securities in which the Adviser has an Interest

Except as disclosed in Item 11 (C) below, neither the Adviser nor any of its related persons recommends to Clients, or buys or sells for Client accounts, securities in which the Adviser or any of its related persons has a material financial interest.

C. Investment in Same Securities or Related Securities Recommended

The Adviser often may cause one of the Clients to invest in the same securities that another one of the Clients holds or is considering for investment to the extent such investment opportunity is appropriate for each Client. The Adviser places limitations, subject to review by the Chief Compliance Officer, on its supervised persons and other employees from personally trading in the securities of Client's portfolio companies; however, employees may be permitted to co-invest alongside Clients if deemed appropriate. In general, co-investments made between the Clients or between the Clients and supervised persons are only permitted to the extent such investments are made on the same terms and at the same time. This practice of permitting co-investments raises certain conflicts of interest, particularly in the areas of allocating investment opportunities and taking action with respect to portfolio company investments.

In resolving these sorts of conflicts, the Adviser and its affiliates may consider many factors, including the interests of each Client with respect to the immediate issue and/or with respect to the longer-term course of dealing among Clients. In the case of many conflicts involving the Clients, The Adviser's and its affiliates' determination as to which factors are relevant, and the resolution of such conflicts, will be made in the Adviser's and its affiliates' sole discretion.

The following factors may mitigate, but will not eliminate, conflicts of interest among Clients:

- A Client for which the Adviser serves as investment adviser will not make any investment unless the Adviser and the Client's general partner or manager believes that such investment is an appropriate investment considered solely from the viewpoint of such Client;
- Many important conflicts of interest will be resolved pursuant to set procedures, restrictions or other provisions contained in a Clients' relevant offering and/or organizational documents, some of which require the approval of the investors in or the limited partner advisory committee of the relevant Client for certain conflict of interest transactions;
- Even where not required to pursuant to a Clients' offering and/or organizational documents, the Adviser may determine to consult with the limited partner advisory committee for a Client, whose members are not affiliated with the Adviser, on conflict of interest issues, and in such cases the Adviser may permit the advisory committee to resolve conflicts of interest by approving or disapproving decisions; and
- Certain of the Clients, including Fund IV and Fund VI, are licensed SBICs and, as such, are precluded from making investments that give rise to certain conflicts of interest. In general, a conflict of interest may arise if an affiliate of the SBIC has or makes an investment in a prospective portfolio company or serves as one of its officers or directors prior to the investment or would otherwise benefit from the financing. Joint investments with a related SBIC fund may be made on terms and conditions that are fair and equitable to the SBIC, taking into account timing differences, and may require pre-investment approval by the SBA. Pre-investment approval by the SBA is not be required to the extent Fund VI does not obtain or seek to obtain SBA leverage and is co-investing with an affiliate fund that is not an SBIC fund with outstanding SBA leverage.

Subject to its fiduciary duties and applicable law, as well as any relevant restrictions or other limitations contained in the offering and organizational documents for the Clients or side letters relating thereto, the Adviser and its affiliates will determine how to allocate investment opportunities considering such factors as they deem relevant. In exercising its discretion, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among the Clients with different fee, expense and compensation structures or with different performance characteristics, the Adviser may have an incentive to allocate investment opportunities to the Client from which the Adviser or its related persons

expect to derive, directly or indirectly, a higher fee, compensation or other benefit.

In order to address such potential conflicts, the Adviser has adopted an investment allocation policy which governs investment allocation for all Clients that the Adviser has discretion. The Adviser seeks to allocate investment and disposition opportunities among the Clients in a manner that is fair and equitable over time and, pursuant to the allocation policy, the Adviser may take into account a variety of factors, including, but not limited to, the following:

- Each Client's investment objective or strategies;
- Each Client's liquidity;
- Each Client's tax considerations;
- Risk, diversification or investment concentration parameters for a Client (including fixed or floating rate requirements, industry categories and credit rating requirements);
- The characteristics of the security (including the expected return, type of security, seniority in the capital structure, and call and put features;
- Supply or demand for a security at a given price level;
- Size of available investment;
- Such other factors as may be relevant to a particular transaction;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable offering and organizational documents.

Additionally, the Adviser will allocate all investment opportunities in accordance with applicable law, including but not limited to, the 1940 Act and the Investment Advisers Act of 1940, as amended (the "Advisers Act").

The Adviser offers opportunities to co-invest in portfolio companies alongside the Funds to certain private investment vehicles managed by the Adviser on a non-discretionary basis, limited partners of the Funds, and other third parties. The Adviser is not obligated to offer co-investment opportunities to any or all investors and may decide in its sole discretion how and to whom co-investment opportunities are allocated. The Adviser believes offering co-investment opportunities allows the Funds the opportunity to, among other things, close larger deals than the Funds alone could support, enable the Funds to diversify its portfolios, lower the Funds exposure without diluting the Adviser's indirect control of the portfolio company and improve the chance of successfully closing the investment. In determining how to allocate a co-investment opportunity among potential co-investors, the Adviser will consider many factors, including:

- the ability of the co-investor to conduct their own due diligence and fund the investment in a timely manner;
- the ability of the co-investor to further support the portfolio company's acquisition strategy
- the capital structure and the co-investor's anticipated interest amongst debt and equity opportunities
- the co-investor's sophistication, including relevant industry knowledge;
- any previously expressed interest in co-investment opportunities;
- any tax, regulatory or other legal considerations implicated by the potential co-investor;
- any services provided by the co-investor with respect to the investment opportunity; and
- any perceived opportunity to establish or strengthen a relationship that has the potential to provide long-term benefits to the Funds or the Adviser.

In order to address potential conflicts related to co-investments, the Adviser has adopted a Co-Investment Policy which governs the Adviser's allocation of investment opportunities to third parties for which the Adviser has no contraction obligation to allocate or show each investment opportunity.

The Adviser and its affiliates reserve the right to make independent decisions about when the Clients they advise should purchase and sell investments. As a result, one Client may be purchasing an investment at a time when another Client is selling the same or similar investment, or vice versa. A Client may invest in an opportunity that other Clients have declined, and likewise, a Client may decline to invest in opportunities in which other Clients have invested.

Conflicts may arise when a Client makes investments in conjunction with an investment being made by another Client or in a company in which another Client has already made an investment. Investment opportunities may be appropriate for one or more Clients at different or overlapping levels of a portfolio company's capital structure. Conflicts may also arise in determining the terms of investments, especially when the Adviser controls the structure of a transaction and its capitalization. There can be no assurance that the return on a Client's investments will not be less than the returns obtained by other Clients participating in a given transaction. The Adviser will determine all matters relating to structuring transactions and capitalizing portfolio companies, including the amount and terms of securities and allocation of securities among its Clients, using its best judgment considering all factors it deems relevant, but in its sole discretion. The allocation of securities among Clients and as between one Client and another Client may be affected by a Client's stage in its lifecycle. For example, a newly organized fund may seek to purchase a disproportionate amount of investments until it is sufficiently invested.

Further conflicts may arise when one Client has made an investment in a company in which another Client has also invested. For example, questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, may raise conflicts of interest. If additional capital is necessary as a result of financial or other difficulties or to finance growth or other opportunities, Clients may or may not provide such additional capital, and if provided, each Client will supply such additional capital and, in such amounts, if any, as determined by the Adviser in its sole discretion. The Adviser will resolve all such conflicts using its best judgment but in its sole discretion, subject in certain cases to approval by the advisory committee of the participating Client.

Clients may participate in re-leveraging and recapitalization transactions involving portfolio companies in which other Clients have invested or will invest. Recapitalizations may present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. The Adviser will resolve all such conflicts using its best judgment but in its sole discretion, subject in certain cases to approval by the respective advisory committee of the participating Client.

Where the Adviser determines that an investment or disposition opportunity is appropriate for more than one Client, then such Clients can participate simultaneously in the opportunity. If the aggregate amount proposed to be invested or disposed of by a Client in such co-investment transaction, together with the amount proposed to be invested or disposed of by one or more other Clients in the same co-investment or co-disposition transaction, exceeds the amount of the investment opportunity, the amount of the investment or disposition opportunity will be allocated on a *pro rata* basis among such Clients based on the desired opportunity size of each such Client.

Note though, the Adviser and its affiliates do not affect cross transactions between Clients. However, in the event that the Adviser and its affiliates do affect cross transactions between Clients, the Adviser and its

affiliates will seek to ensure that such transactions and related disclosures are made consistent with applicable laws and agreements and the Adviser's and its affiliates' policies and procedures. In particular, the Adviser and its affiliates will seek to ensure that the transaction is:

- In the judgment of the Adviser and its affiliates, in the best interest of each Client involved in the transaction;
- In compliance with any investment guidelines or restrictions for each Client involved; and
- Entered into only after obtaining any required advisory committee approvals of the material terms and conditions of the transaction.

Investors in Clients are encouraged to contact the Adviser with questions or for further information about how the Adviser addresses these and other conflicts of interest.

D. Contemporaneous Securities Transactions

See Item 11 (C) above.

Item 12: Brokerage Practices

In general, and excepting its relationship with CS described above, the Adviser does not utilize broker-dealers for transaction related services. In the event that we require the services of a broker-dealer, the Adviser will consider various factors, including the reputation, experience and financial ability of the broker-dealer, as well as the experience each broker-dealer has in effecting certain transactions. We do not have any agreements in place that require us to use any specific broker-dealer, and we select broker-dealers that we believe best serve the interests of our Clients given the circumstances under which the security is being sold or traded. Additionally, as the Adviser does not generally utilize broker-dealers in connection with transactions in Client portfolios, it typically does not receive soft dollar benefits. To the extent it does engage in such transactions and receives such benefits, which could take the form of research and related services, however, all such soft dollar benefits will fall within the safe harbor of section 28(e) of the Securities Exchange Act of 1934, as amended.

In instances where we deem it appropriate for multiple Clients to acquire or sell the same security at the same time, we may seek to aggregate the purchase and sale for both accounts fairly and in furtherance of our obligation to seek best execution for all Client accounts.

The Adviser will evaluate the overall reasonableness of the brokerage commissions and negotiated terms paid to or made with broker-dealers with respect to Clients' transactions, by, among other things, seeking to compare such commissions and terms with the commission rates and negotiated terms being charged by and entered into with other comparable broker-dealers. The Adviser may also periodically review the past performance of the broker-dealers with whom it has placed orders to execute Client transactions in light of the factors discussed above.

The Adviser does not consider in selecting or recommending broker-dealers whether the Adviser or any of its related persons receives client referrals from the broker-dealer or other third-party. The Adviser also does not engage in directed brokerage practices.

Item 13: Review of Accounts

The Adviser monitors and proactively manages all of the investments made by each Client it advises. The securities in the investment portfolios of Clients are generally private, illiquid and long-term in nature; accordingly, the Adviser's review of them is not based on a short-term perspective to dispose of such

securities. However, the Adviser closely monitors the portfolio companies of the Clients and generally maintains oversight or advisory positions in such portfolio companies.

Also, with respect to investments made by the Clients, the Adviser's professionals, including the Adviser's Chief Risk Officer and the Adviser's underwriting personnel continually review and analyze existing positions in an attempt to proactively identify issues and take appropriate action as required. The Chief Risk Officer and the Adviser's underwriting personnel meet weekly to discuss the portfolio and provide updates on portfolio companies and related matters. Specific employees of the Adviser tasked with overseeing particular investments meet periodically with other members of the Adviser's investment team to update them on such portfolio positions and related matters.

The Adviser prepares written quarterly and annual reports for each of our Clients. They generally include financial statements (which, in the case of annual statements, are audited), capital statements, and summaries of new investments, investment performance, and other matters of interest to our Clients and their respective investors and are distributed to investors in the relevant Client.

Item 14: Client Referrals and Other Compensation

From time-to-time the Adviser retains placement agents and advisors, including the Adviser's bank advisory board, in connection with the offering of interests in Clients that it manages. These introductory service arrangements will involve direct or indirect compensation or some other economic benefit to said parties.

Item 15: Custody

The Adviser has adopted policies and procedures to comply with Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). Specifically, the Adviser (or the general partners or managers of the Clients, which are our related parties) is deemed to have legal custody of the assets of the Clients for which the Adviser serves as investment adviser. Accordingly, the Adviser maintains the funds and securities of its Clients with one or more qualified custodians in accordance with the Custody Rule. Furthermore, the Funds are audited on an annual basis by independent accountants and audited financial statements are generally distributed to the respective Client's investors within 120 days following the end of each fiscal year. Each qualified custodian sends account statements, at least quarterly, to each of the Clients for which it maintains funds or securities, including the Funds. Clients should carefully review these statements from custodians and are urged to compare them to any account statements or similar reports they receive from the Adviser and its affiliates.

Item 16: Investment Discretion

We provide investment advice to the Funds on a discretionary basis. This discretionary authority and any investment restrictions or other limitations on that authority are memorialized in the legal and other offering documents for the Funds, which are negotiated with investors prior to their making a commitment to invest. We provide investment advice to the certain private investment vehicles on a non-discretionary basis.

Item 17: Voting Client Securities

We (or the general partners of each of the Funds, which are our related parties) have the authority to vote all securities held by the Funds, which we do in accordance with a proxy voting policy we adopted in accordance with SEC Rule 206(4)-6 under the Advisers Act. Pursuant to our proxy voting policy, we vote

the Funds' securities in accordance with what we consider to be in the best interests of the Funds, respectively, taking into account such factors as we deem relevant under the circumstances. The Funds and their respective investors do not have the ability to direct how we vote fund securities.

If a conflict of interest were to arise between the Adviser and the Funds when voting the fund's securities, we would nevertheless vote in the Funds' best interests. In determining what is in the best interest of the Funds, the primary consideration is the financial interest of the Funds, and we would generally vote in the manner we believe to be most likely to enhance the value of the securities held by the Funds. We would also be sure to act in conformity with any applicable requirements of the Funds' governing documents and might consult with, or seek approval of the voting decision from, the Funds' limited partner advisory committee.

Clients are able to obtain a copy of our written proxy voting policies and procedures and information about how we have voted its securities upon request by contacting the Chief Compliance Officer as follows: Kevin Koonts at 704.936.4939 or kkoonts@capitalagroup.com.

Item 18: Financial Information

The Adviser does not require or solicit prepayment of fees six months or more in advance, has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of any bankruptcy proceeding.