

# Glossary of Private Credit Terms

Term	Definition
<b>Private Credit</b>	Non-bank lending to public or private borrowers
<b>Middle Market</b>	Companies that typically have EBITDA ranges between \$10M to \$100M and are primary borrowers of private debt capital
<b>Origination</b>	The process by which a lender will identify, structure and secure a given private credit transaction
<b>Capital Structure</b>	The mix of debt and equity capital, by seniority, used by a given company to finance activities
<b>Liquidity Premium</b>	An increase in price/return demanded by investors in return for allocating capital to an investment that cannot easily be sold
<b>Sponsor Backed Loans</b>	A form of lending where a lender extends debt capital to a borrower company that is sponsored (financial investment) by a private equity firm
<b>Non-Sponsor Backed Loans</b>	A form of lending where a lender extends debt capital to a borrower company that is not backed by a private equity firm
<b>Liquidity</b>	A term used to describe the ability of a given firm/individual to be able to sell an asset without causing a drastic change in the asset's price
<b>Credit Spread</b>	The difference in yield between a low-risk government fixed income security and another higher-risk fixed-income security with a similar term to maturity but lower credit quality
<b>Workout</b>	A process undertaken between a borrower and its creditors to agree upon repayment/forgiveness of debt in the event the borrower states they are unable to repay their debts
<b>Operational Due Diligence</b>	The process to evaluate the operational structure, processes and partners of a given investment fund/manager to ensure best practices are adhered to
<b>Investment Due Diligence</b>	The process to evaluate the quality, experience, track record and investment process of a given investment fund/manager
<b>Direct Lending</b>	A form of lending where a lender extends debt capital to a borrower directly, without use of an intermediary
<b>Senior Debt</b>	Debt capital that resides in most secure part of a company's capital structure and has first priority of repayment in the event of bankruptcy

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<b>Leveraged Buyout</b>	A financial transaction where an entity such as a private equity firm uses equity capital alongside a significant amount of debt capital to acquire a given company
<b>Collateral</b>	A form of security attached to some lending arrangements where the amount of the loan is secured by assets owned by the borrower
<b>Covenants</b>	One or more conditions in a loan agreement that require the borrower to fulfill certain conditions or avoid undertaking certain actions (or restrict certain activities) in order to remain in compliance with the lending agreement
<b>Lien</b>	A form of security interest granted over an item of property to secure the payment of a debt or performance of a related obligation
<b>Mezzanine Debt</b>	Hybrid debt capital that sits in the middle of a given company's capital structure (subordinate to senior debt) with lower priority of repayment and structured to include debt and equity features
<b>Distressed Debt</b>	Debt that is or is expected to be in default. Strategies that pursue distressed debt focused mandates are backed by teams that possess deep expertise in workout, turnaround and bankruptcy situations
<b>Special Situations or Opportunistic</b>	A flexible form of private credit strategy that allows the manager to target investment opportunities across the capital structure with a variety of structures/features with the objective of return maximization
<b>Venture Debt</b>	An emerging form of private credit that serves early stage, start-up companies and is often structured with debt and equity features

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