

Top of the Stack: Senior, Secured, Covenanted

Direct lending may be a source of capital preservation for risk-averse investors.

Direct Lending: Structurally Senior

Seniority and Control

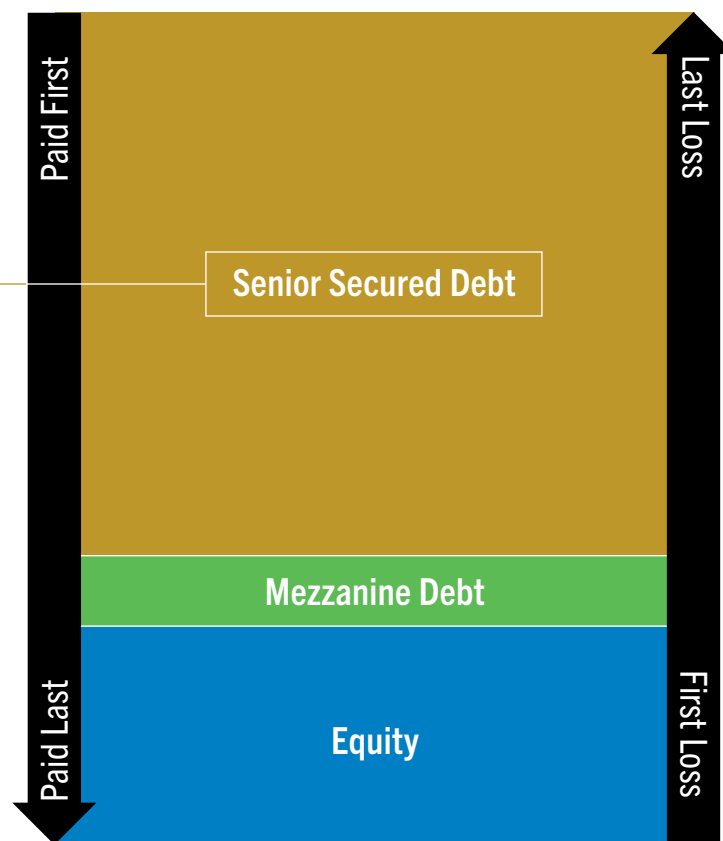
Highly negotiated credit agreements and structural seniority in the capital stack

Covenant Terms

Strict financial covenants, including leverage restrictions, liquidity minimums and interest coverage

Collateral

Strong cash flows and high-value company assets



A More Secure Allocation

- Most middle market loans are senior in the capital “stack.”
- The loans are secured by company cash flows and assets as collateral.
- They are last to lose money and first to be paid back, with a significant “equity cushion” to absorb potential credit loss.
- Loan documents are further buttressed with financial covenants that enforce strict constraints and allow for early remediation.

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