

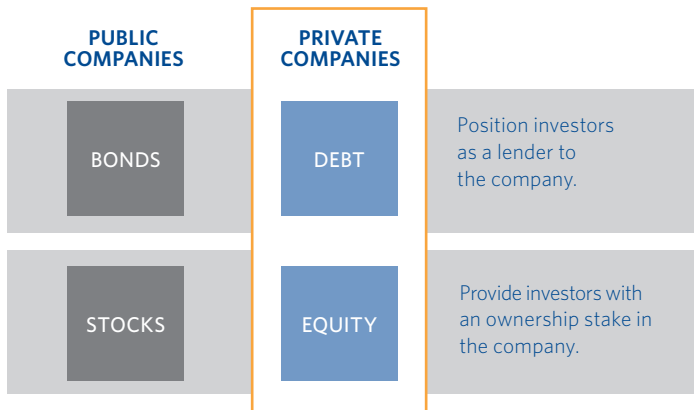
What Is Private Debt?

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PRIVATE COMPANIES AND DEBT

From jobs to GDP, privately owned companies help drive the American economy. In the United States, the three hundred largest private companies alone employ over 4 million people and have combined revenues in excess of \$1 trillion.*

But when these private companies need funds to expand or manage their operations, they may not have access to public funding through the sale of stocks and bonds. In this situation, private companies raise funds by selling equity (ownership) shares in the company or through debt financing in the form of loans and lines of credit.



*SOURCE: Forbes.com "America's Largest Private Companies" November 2013.

HOW PRIVATE DEBT FINANCING WORKS

When a private company identifies an opportunity to grow their business, the company may not have the cash or assets on hand to pursue the necessary expansion. In this situation, debt may be the preferred financing option.

To fund the growth opportunity, the company borrows the needed funds by asking a lender for a loan. In exchange for making the loan, the lending institution expects to receive interest payments in addition to repayment of the contractual loan amount. Both parties have the potential to benefit. If all goes as intended, the company grows its business and the lending institution receives a contractual return on its investment.

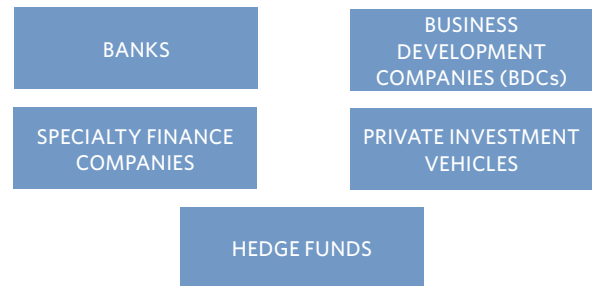
For Investor Use

Private debt investments may be either direct or indirect and are subject to significant risks, including the possibility of default.

This information does not constitute a solicitation of an offer to sell/buy any specific security offering. Such an offering is made only by the applicable prospectus, which should be read carefully by an investor before investing. Investors are advised to consider the investment objectives, risks, charges and expenses carefully before investing. Broker/dealers are reminded that communications sent to any person relating to securities must be accompanied or preceded by a prospectus in accordance with the Securities Act of 1933, as amended.

SOURCES OF PRIVATE DEBT FINANCING

Private companies can seek debt financing in the form of loans from:

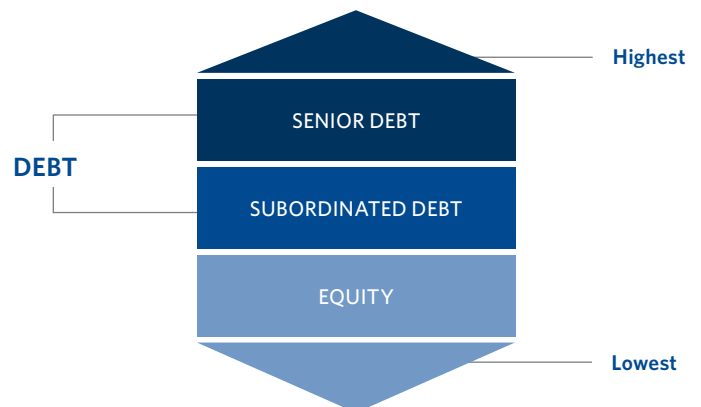


THE CAPITAL STRUCTURE AND DEBT

The combination of equity and debt forms a company's capital structure. The balance of how much debt versus equity is unique to each company and is determined by the management team's evaluation of various loan terms and other business factors.

Debt has a priority claim on cash flows or assets and there are different levels of debt. Senior debt ranks first in repayment priority; subordinated debt ranks second and typically has a higher yield. Equity typically comes with the highest return expectations to reflect the increased risk of non-payment based on its lower claims priority.

Cash Flow Repayment Priorities



For additional information on private debt investments, investors should contact their Financial Advisor. Financial Advisors are encouraged to visit www.CNLSecurities.com or contact CNL Securities, Member FINRA/SIPC at **(866) 650-0650**.

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