

Conflicts of Interest Policy Disclosure

Last updated: 29 December 2017

Chatham Financial Europe (“Chatham”) has updated its conflicts of interest policy consistent with the requirements of the United Kingdom Financial Conduct Authority and the Markets in Financial Instruments Directive, 2014/65/EU (MiFID II).

Chatham provides assistance and services to a variety of clients in diverse industries, including: real estate, banking, public corporations, REITs, private equity firms, and opportunity funds. From time to time, actual, potential or perceived conflicts of interest may arise. For example, Chatham may be asked to provide services or expertise to two or more parties involved in the same transaction or to multiple parties who have direct financial ties to one another. Any relationship where a duty of care or trust exists between two or more parties can give rise to a conflict. Possible examples are:

- Firm vs. Client
- Client vs. Client
- Employee vs. Client
- Employee vs. Firm
- Vendor vs. Client
- Employee vs. Employee

Chatham must take all appropriate steps to identify, escalate, and manage conflict between the Chatham and its clients, or between one client and another that arise in the course of Chatham providing services. Chatham employees are required to consider any situations where their activities or interactions could create an actual, potential, or perceived conflict.

Chatham employees follow established policies and processes to address conflicts that arise in the normal course of business.

Below is a summary of the safeguards Chatham has put into place to prevent or minimize any risk that a conflict of interest could hinder or compromise Chatham’s representation of your interests in the transaction. These Conflict of Interest procedures apply where Chatham provides assistance or services to multiple parties to a single transaction.


- Chatham employees are not permitted to communicate, orally or in writing, any non-public information obtained from either party to a transaction without the explicit written permission from such party. However, while Chatham will not inappropriately disclose any non-public information provided by either party to the other party, any information concerning the economics of the trade itself, including any analysis prepared using Chatham’s economic models or that may be calculated using publicly available data (for instance, the mid-market rate with respect to the trade), is not considered confidential information. In keeping with our policy of market transparency, information regarding the

economics of the trade may be disclosed to either client by the Chatham employee providing services to that client.

- Chatham will invoke an Ethical Wall forbidding Chatham employees engaged in representing one party to the transaction from discussing the transaction with: (i) Chatham employees engaged in representing the other party; or (ii) Chatham employees not engaged in the transaction, except as such communication is required in the customary course of such employee's duties in order to arrange and conduct a live auction or, if so directed by their client, to execute a negotiated trade for their client, or unless such communication is undertaken per their client's prior approval and instruction.
- When participating in a competitive auction, unless otherwise instructed by the other client, participating banks which are clients of Chatham are required to bid under identical terms and receive the same pre-trade preparation as other financial institutions participating in the same transaction. In a typical auction process, Chatham will solicit blind bids from multiple counterparties and designate an auction winner based on guidance Chatham receives from the client sponsoring the auction.
- It is Chatham's policy that no employee may "steer" a transaction to or from a particular bidding counterparty based on whether it is a Chatham client. Chatham employees are not permitted to "coach" any bidding counterparty as to whether its bid is too high or too low. Chatham does not dictate any bank's pricing or credit terms for any trade.
- Chatham does not actively solicit the business of or market to any borrower entities that are introduced to Chatham through Chatham's work on behalf of its bank clients.
- Chatham is a fee-only advisor for all of the hedging services it provides. In hedging transactions, Chatham is paid a flat fee based on the notional amount of each hedge. Chatham is not compensated based on the market pricing offered by any bank client, nor does it receive any form of compensation, in cash or in kind, from banks that participate in hedge auctions or enter into transactions with Chatham clients. Under no circumstances does Chatham ever solicit or accept any fees, commissions, kick-backs or any other form of remuneration, direct or indirect, in cash or in kind, from any party to a transaction other than the fee paid by the client for whom the service is provided.

If there is no established policy or process in place for addressing a conflict, or if it is unique or potentially significant, Chatham employees must escalate the conflict to Chatham's Compliance Officer and Senior Management in accordance with its internal processes. To the extent a conflict cannot be readily addressed by existing controls or normal business processes and decision making, there is an internal escalation process to determine the scope of risk and risk mitigation actions necessary to address the conflict.

Under the applicable regulations and legislation, disclosure of a conflict of interest is a last resort that is used when Chatham determines that other measures or arrangements that Chatham can put



in place to address a conflict would be insufficient to reasonably mitigate the risk of damage to a client's interests given the nature of the conflict.

Any such disclosure will be made in a “durable medium” as that term is defined by MiFID II. The disclosure will include a specific description explaining the nature and source of the potential conflicts, the risks to the client that may arise as a result of the conflicts, and the steps taken and to be taken to mitigate those risk. The disclosure will provide sufficient detail to enable the client to make an informed decision with respect to the conflict and the related investment or service that is involved in the conflict.

In cases where a conflict cannot be sufficiently mitigated through disclosures, information barriers, or other controls, Chatham must, as applicable, decline to enter into the transaction, provide the service, or enter into the relationship giving rise to the conflict.