

LBC Credit Management, L.P.

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This brochure provides information about the qualifications and business practices of LBC Credit Management, L.P. If you have any questions about the contents of this brochure, please contact Vincent McDevitt at vmcdevitt@lbccredit.com or 215-609-3365. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about LBC Credit Management, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

LBC Credit Management, L.P. is registered as an investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

Item 2. Material Changes

Since this is an initial brochure, there are no material changes from a last annual update.

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Item 4. General Information about LBC Credit Management, L.P.

- A. Description of advisory firm and principal owners.** LBC Credit Management, L.P., also referred to as “LBC,” is a privately-held investment management firm co-founded by John Brignola, Christopher Calabrese, Nathaniel Cohen and Ira M. Lubert in 2005. The LBC investment team consists of approximately 20 investment professionals with extensive experience in all aspects of middle-market senior and junior debt investing.

References herein to LBC may include, as the context requires, certain entities controlled by LBC or its principals through which LBC provides investment management services, such as entities that provide sub-advisory services on behalf of LBC.

LBC is a limited partnership, the general partner of which is LBC Credit Management GP, LLC, a limited liability company owned by Messrs. Brignola, Calabrese, Cohen and Lubert. These four members of the senior management team of LBC are also (either directly or indirectly) limited partners of LBC.

- B. Advisory services offered.** LBC provides investment management services exclusively to Clients that are privately offered pooled investment vehicles (each a “Fund” or “Client” and, collectively, the “Funds” or “Clients”). Each Fund is open for investment only via a “private offering,” and is intended only for investment by “accredited investors,” as those terms are defined under the Securities Act of 1933, as amended. Each Fund’s investment objective includes providing a certain level of returns net of fees and expenses as described in detail in each Fund’s offering documents, management and advisory agreements, and any other applicable agreements (collectively, the “Governing Documents”).
- C. Tailoring to individual needs.** Though LBC utilizes a similar strategy for all of the Funds, it tailors advisory services to the specific needs of each Fund to the extent that certain investments cannot be held by certain Funds for legal or tax purposes. LBC’s investment advice and investment authority is tailored and limited to that which is permitted under the Fund’s Governing Documents. LBC’s ability to enter into such agreements is limited to that which is permitted under the respective Fund’s Governing Documents.
- D. Wrap fee programs.** LBC does not participate in wrap fee programs.
- E. Assets under management.** LBC’s Regulatory Assets Under Management were approximately \$1,157,528,960 as of December 31, 2011, and \$0 on a non-discretionary basis.

Item 5. Fees and Compensation

- A. How LBC is compensated for advisory services.** The specific terms for the compensation of LBC by each Fund are dictated by the Fund’s charter documents, offering documents, management and advisory agreements, and any other applicable agreements.

Management Fee. Each Fund generally pays a management fee (the “Management Fee”). A Fund’s Management Fee generally will commence on the date that a Fund has held its initial closing and thereafter be paid on the first day of each calendar quarter. The Management Fee is based on a percentage of assets invested in or committed to a Fund by its investors, and may vary based on the stage of investment of the Fund and the amounts committed to the Fund by its various investors. The Management Fee generally ranges between 1.50% to 1.75%, but may be negotiated to be lower for certain investors in a Fund based on the size of the investor’s investment in such Fund.

Carried Interest. An affiliate of LBC is also entitled to receive a distribution of the investment proceeds from the Funds, generally subject to certain conditions such as the prior return of capital to Fund investors and/or prior payment to Fund investors of a certain rate of return on invested capital. Proceeds available for distribution will consist principally of cash generated from continuing operations of the assets owned by a Fund and the cash proceeds realized on the sale or refinancing of Fund assets. Certain of these distributions are referred to as the “Carried Interest.” A Carried Interest is charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended. Additional details regarding the distribution of Carried Interest is more fully disclosed in each Fund’s Governing Documents.

Other Fees Received. On occasion, LBC may receive directors’ fees, supervisory fees, acquisition fees, loan fees, transaction fees, other advisory, break-up, topping and other similar fees (if any) derived from partnership activities. If received, these fees may offset the Management Fee or otherwise be credited to a Fund in a manner more fully described in each Fund’s offering documents and partnership agreements, where applicable.

Certain investors in the Funds, who are generally related persons, employees, partners of LBC or the Funds, including affiliated persons and others through their investment in a Fund or the general partner of such Fund, may not be subject to a management and/or the performance fee in connection with their investment in the Funds. Notwithstanding the foregoing, such affiliated investors will either directly pay their pro rata share of certain Fund expenses, or the pro rata amount of such expenses will be allocated to the general partner of such Fund.

- B. Deduction of fees from invested assets.** LBC’s compensation is deducted from the assets or distributions of each Fund as more fully described in each Fund’s offering documents and partnership agreements. Fund investors are not separately billed for services. Management Fees are paid quarterly in advance. Carried Interest is paid upon the distribution of proceeds generated by the dispositions of each Fund’s portfolio investments.
- C. Other types of fees or expenses.** Each Fund pays all offering and organizational expenses incurred in the formation of the Fund and the related entities up to a certain maximum limit set forth in such Fund’s offering documents. Also as set forth in each Fund’s Governing Documents, each Fund may pay, and may

reimburse the Fund's general partner where applicable, all ordinary and extraordinary expenses relating to its activities as set forth in more detail in the Fund's Governing Documents. All expenses chargeable to a Fund shall be allocated among such Fund and its parallel funds as determined in good faith by each Fund's general partner, as set forth in the relevant Fund's Governing Documents.

- D. Payment of fees in advance.** In the event that a Fund's investment advisory agreement with LBC terminates during a period in which Management Fees have been paid in advance, LBC would pro rate such Management Fee and reimburse such Fund the portion of such Management Fee covering the remainder of the period.
- E. Compensation for sales of securities.** No commissions, placement fees or other remuneration will be paid by a Fund to LBC or to any of its employees in connection with the offering and/or sale of interests in such Fund, other than reimbursement to affiliates of the Fund's general partner of a portion of the cost of employees engaged in capital raising activities on behalf of such Fund.

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

As described in Item 5, LBC may be paid a Carried Interest. LBC and certain of its supervised persons receive incentive compensation, which is tied explicitly to the performance of a particular Fund, and such compensation will continue to be earned based upon the performance of each Fund's portfolio as a whole, rather than that of individual transactions. The existence of the Carried Interest may create an incentive for LBC to cause a Fund to make riskier or more speculative investments than would be the case in the absence of the Carried Interest.

LBC's compliance policies and procedures and code of ethics prohibit the favoring of one account over another or considering LBC's financial interest when providing investment advice to the Funds, and any individual compensated based on the performance-fee aspect of a Fund is paid based on the Fund's overall performance, not the outcome of any single transaction or investment.

Item 7. Types of Clients.

LBC provides investment advice only to the Funds, which are privately offered pooled investment vehicles. Investors in the Funds may include, but are not limited to, pension plans, endowments, corporate and business entities, foundations, trusts, and high net worth individuals. The various requirements for investing in a Fund are set forth in the respective Fund's Governing Documents. Each investor is required to meet certain suitability qualifications such as being an "accredited investor", "qualified purchaser" or "qualified client" within the meaning set forth under the federal securities laws. The Funds' offering documents generally require a minimum initial investment or commitment by each individual investor of \$1 million and each institutional investor of \$5 million. However, each Fund's general partner has the discretion to waive or

reduce the minimum initial investment or commitment and has done so for certain investors. The various requirements for investing in a Fund are set forth in the respective Fund's Governing Documents.

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

A. Methods of analysis. LBC employs a disciplined investment process to determine potential investment opportunities and may use various underwriting and research methods and analyses. This process will typically include a thorough analysis of the business and its industry, historical and projected financial performance focusing on capital structure, sales, margins, cash flow, liquidity and capital expenditures. LBC may also have discussions with key customers, suppliers and competitors and engage independent outside parties or work in concert with the borrower's other lenders, if any, and the equity owners to perform additional due diligence including but not limited to quality of earnings reviews, collateral audits, system reviews, plant reviews, assets appraisals, business valuations, environmental audits, background checks, management assessments and other analyses as deemed appropriate.

B. Investment strategies. LBC has developed a disciplined investment strategy, seeking to maximize current return while preserving investors' capital by originating and managing a diversified portfolio of high-yielding loans in the middle market. LBC defines middle-market companies as those with revenues of typically less than \$750 million and EBITDA of \$5 million to \$50 million. The Funds seek to manage risk and minimize volatility by making investments in private transactions throughout the capital structure and across a broad range of industry sectors based on a comprehensive credit and operational evaluation. The Fund's ability to offer senior and junior capital allows to expand its base of deal flow, counter the effect of business cyclicalities, minimize the effects of adverse risk selection and provide portfolio diversification.

The principal asset classes which LBC invests include corporate debt primarily consisting of senior and junior loans to middle-market borrowers through direct origination and club participations: primarily uni-tranche, bifurcated term, second lien and secured mezzanine loans and to a lesser degree corporate leases, small loan pools, DIP loans, broadly syndicated corporate loans and bonds. LBC may also make equity-co investments and may acquire other equity instruments, including but not limited to, preferred stock and warrants, in connection with the purchase of a debt instrument or in connection with the restructuring or recapitalization of a debt instrument. The loans and other investments held by Funds will generally will be unrated and not actively traded in any secondary market.

Please note that there can be no assurance, however, that the use of any strategy for any Fund will achieve any particular returns or avoid a loss. A Fund's ability to achieve returns will depend on a variety of factors, many of which are beyond its or LBC's control.

- C. Risk of loss.** Investing in private debt and equity securities involves risk of loss that investors must be prepared to bear. Each Fund's Governing Documents include more detailed disclosure of the risks of investing in a Fund; any prospective Fund investor should carefully read such documents before considering an investment. Among other investments and risks described more fully in each Fund's private offering documents, each Fund's investments entail the following risks:
- 1. No assurance of investment return.** Each Fund's task of identifying and evaluating investment opportunities, managing such investments and realizing a positive return for investors is difficult. There is no assurance that a Fund will be able to invest its capital on attractive terms or continue to generate positive returns or avoid losses for its investors over the long term.
 - 2. Market volatility.** Volatile market conditions at various times, included terrorist attacks and other acts of violence and war, can have a dramatic effect on private investments. Such events could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy. They also could result in a continuation of the current economic uncertainty in the worldwide financial markets and economy.
 - 3. Second lien and secured mezzanine debt instruments.** Investing in second lien and secured mezzanine loans may result in a greater interest rate and higher fees than first priority lending, but also involves additional risk over senior secured lending arrangements. Upon execution, a second lien or secured mezzanine loan may be fully secured by the collateral of the borrower. If the value of the borrower's collateral decreases, the available collateral may only be sufficient to cover more senior liens. Junior lien holders may also have diminished capacity to negotiate favorable terms concerning collateral and repayment rights and may be forced to give up rights or subordinate rights to the senior lender. In the event of a default by the borrower, the second lien or secured mezzanine holder may be required to wait to enforce their rights against the collateral. This creates the risk that the holder of a junior lien will receive unfavorable treatment with respect to distributions, rights to collateral or during bankruptcy.
 - 4. Leveraged companies.** The Funds may invest in companies that are financially leveraged or troubled or potentially troubled and may be or have recently been involved in restructurings, bankruptcy, reorganization or liquidation. Investments in such companies are likely to be particularly risky investments, although they may offer the potential for correspondingly high returns. The use of leverage results in increased interest expense and other costs to the company that may not be covered by revenues during economic downturns. Leverage also may impose restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs.

- 5. Fund leverage.** A Fund's assets may be leveraged, which may adversely affect income earned by such Fund or may result in loss of principal. The use of leverage involves a high degree of financial risk and may increase the exposure of a Fund or its investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the collateral underlying such investments. Market fluctuations may significantly decrease the availability of and increase the cost of leverage. The use of leverage will increase the amount of funds available to a Fund for investment but will also increase the risk of loss.
- 6. Nature of investments.** Investment in a Fund requires a long-term commitment with no certainty of return.
- 7. Interest-rate risk.** The market value of a Fund's investments not entailing floating interest rate structures may be affected by changes in interest rates.
- 8. Diversification limits.** The Funds have no established limits or constraints with respect to geographic regions or product types. Lack of diversification across the portfolio may increase a Fund's exposure to adverse market conditions in a given region, property or product type.
- 9. Expedited transactions.** Investment analyses and decisions by LBC may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to LBC at the time of an investment decision may be limited, and LBC may not have access to detailed knowledge of all circumstances that may adversely affect an investment.
- 10. Unable to identify attractive investments.** No assurance can be given that the Funds will be able to originate investments that satisfy their individual rate of return objectives or that such investments will perform as expected. Each Fund intends to make draws on commitments as funds are needed during such Fund's respective investment period; however, investments consistent with a Funds' strategy may not be available at certain instances.
- 11. Interest subject to restrictions on transfer and withdrawal.** Interests are not transferable except with the consent of a Fund's general partner. Fund investors may not withdraw capital from a Fund. There will be no public market for the Interests. Each investor must be prepared to bear the economic risk of an investment for an indefinite period, since interests in a Fund cannot be resold unless they are subsequently registered under the Securities Act, or an exemption from such registration is available, and provisions of such Fund's partnership agreement relating to restrictions on the transfer of interests are complied with.
- 12. Funds' lack of control over investments.** As an investor primarily in debt securities, each Fund will not have control over the issuers of such securities and may have to rely on independent third party management or strategic

partners to operate the issuer in a manner that results in full and timely payment of interest and principal, protects any collateral and otherwise complies with the agreements under which such securities were issued.

13. Need for follow-on investments in portfolio investments. Certain investments that each Fund will make may need additional capital. The inability to obtain such follow-on capital may have an adverse effect upon each Fund's investment.

14. Defaulting limited partner. In the event that an investor fails to contribute capital to a Fund when required, among other remedies available to such Fund, the Fund may reduce such investor's unfunded commitment, such investor's interest in the Fund may be forfeited or subject to dilution, the Fund may withhold distributions from such investor and such investor may be prohibited from participating in future investments or voting on Fund matters.

15. Hedging. In connection with the financing of certain assets, a Fund may employ hedging techniques or use other derivative instruments designed to protect against adverse movements in currency and/or interest rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks.

16. Conflicts of interest. Fund investments are subject to various conflicts of interest, including those between co-investors in specific projects, between various investors in a Fund, and between LBC and a Fund. These conflicts are more fully discussed in each Fund's Governing Documents.

Item 9. Disciplinary Information

Neither LBC nor any supervised person has been involved in the past ten years in any legal or disciplinary event that LBC believes is material to an investor or Client or prospective investor or Client in their evaluation of LBC's advisory business or management.

Item 10. Other Financial Industry Activities and Affiliations

- A. Broker-dealer registration.** Neither LBC nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Commodity industry registration.** Neither LBC 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.
- C. Material relationships.** LBC has relationships and arrangements that are material to LBC's advisory business with the following types of related persons:

1. **Broker-dealers, municipal securities dealers, or government securities dealers or brokers.** None.
2. **Investment companies or other pooled investment vehicles.** In addition to managing the Funds, LBC utilizes the services of Independence Capital Partners, LLC (“ICP”). ICP provides various fund administrative services to its affiliated private equity management firms including LBC. ICP currently provides fund administrative services to the following affiliated entities: Patriot Financial Manager, L.P.; Lubert-Adler Management Company, L.P.; LLR Management, L.P.; Quaker BioVentures Management, L.P.; Versa Capital Management, Inc.; and LEM Capital, L.P. (collectively, the “ICP Member Firms”). Each ICP Member Firm is individually and separately owned by its senior investment professionals and manages investment funds focused on distinct assets classes including real estate, private equity or venture capital investments and corporate lending. ICP provides the ICP Member Firms with certain back-office and infrastructure resources, which may include administrative personnel, accounting and tax support, compliance, insurance services, information technology, investor relations and reporting, and human resources. To the extent that LBC’s relationship with its affiliate ICP Member Firms, their funds and their managers presents a conflict of interest, please refer to “Item 10.C.3. Other investment advisers or financial planners.”
3. **Other investment advisers or financial planners.** Conflicts may arise in instances where the interests of a Fund’s general partner, LBC and its affiliates may conflict with the interests of the Funds and the Fund’s investors. For example, affiliates of the Fund’s general partner and LBC have ownership interests in other entities that provide capital through equity investments. These affiliates currently engage in and will continue to engage in venture capital, private equity, debt, buy out and real estate investment activities. In particular, Mr. Lubert is a partner in each of the ICP Firms, some of which may have investment mandates that are similar to, but not overlapping with, the investment mandates of each Fund. In the past, the principals of these funds and LBC may have shared information and collaborated regarding investment opportunities. LBC may continue to collaborate with these firms so long as LBC believes the collaboration is benefiting its investment process and Fund investors.

Co-investment opportunities between the Funds and ICP Member Firms.

Although the senior members of LBC independently source and originate investment opportunities, certain opportunities may arise that are appropriate for both a Fund and one or more other ICP Member Firms. When a Fund is not prevented from making investments, certain potential investment opportunities that may be appropriate for such Fund also may be appropriate for these ICP Member Firms or for co-investment by both a Fund and such ICP Member Firms. Although LBC does not believe that there will be significant overlap of investment opportunities between a Fund and other ICP

Member Firms, when overlap opportunities do exist, as a result of Mr. Lubert's ownership interest in the Funds and the other ICP Member Firms, potential conflicts exist as to the allocation of such investment opportunities between, or the terms and conditions of any co-investment by, the entities. In these situations, the investment opportunity may need to be cleared by a conflict resolution procedure before such investment can be made by a Fund. There can be no assurance that the resolution procedure established will clear the conflicts in order for the investment to be made by a Fund. Accordingly, there may be situations in which investment opportunities that otherwise would be appropriate for a Fund cannot be made. The fund management team that first sourced or originated the opportunity may invest in the opportunity without offering it to the other ICP Member Firms. If an ICP Member Firm does not invest in an opportunity it sources or originates, the other ICP Member Firms may be offered the opportunity to make the investment.

In addition, when the senior members of LBC determine in their reasonable discretion that it would be advantageous to co-invest in an opportunity with one or more other ICP Member Firms and such Fund is not prevented from making investments, then the Fund may co-invest with the other ICP Member Firms in such investment, without prior approval, in accordance with the co-investment terms outlined in each Fund's Governing Documents. These co-investment opportunities may be subject to the approval of the co-investing ICP Member Firms' valuation committees or advisory or executive boards in accordance with their respective governing documents. LBC expects that the relative amounts co-invested by the ICP Member Firms will be determined in the reasonable discretion of the senior members of LBC and the management teams of the other applicable ICP Member Firms in view of the relative available capital, investment objectives, financing capacity and investment limits of each ICP Member Firms (among other things). As a result of this conflict resolution process, the amount a Fund invests in a particular investment opportunity may be less than it otherwise would be willing and able to invest, and in certain cases, such Fund may be required to forego certain investment opportunities that otherwise would be appropriate. In addition, co-investment by other ICP Member Firms may curtail the co-investment opportunities available to Fund investors.

Notwithstanding the foregoing, as of December 31, 2011, the Funds have never co-invested with ICP Member Firms. LBC anticipates very infrequent opportunities for such co-investment in the future.

Co-investment opportunities between the Funds. Investment opportunities that are appropriate for a Fund also may be appropriate for another Fund or a successor Fund. LBC will determine the allocation of the investment opportunity among such Funds based upon a number of factors including, the relative amount of available capital, investment objectives, financing capacity, the investment limitations of each Fund, and balancing the investments of each Fund by industry and geography. A Fund may co-invest with another

Fund or a successor Fund in accordance with the co-investment terms outlined in each Fund's Governing Documents. In addition, in order to re-balance a Fund's investment portfolio, such Fund may acquire, in certain cases, portfolio securities from, or sell portfolio securities to, another Fund or successor Fund in an existing portfolio company.

- 4. Futures commission merchants, commodity pool operators, or commodity trading advisors.** None.
- 5. Banking or thrift institutions.** None.
- 6. Accountant or accounting firm.** None.
- 7. Lawyers or law firms.** None.
- 8. Insurance companies or agencies.** None.
- 9. Pension consultants.** None.
- 10. Real estate brokers or dealers.** None.
- 11. Sponsors or syndicators of limited partnerships.** None.

- D.** Selection of investment advisers. LBC does not recommend or select other investment advisers for Clients.

Item 11. Code of Ethics, Personal Trading, and client Transactions

- A. Code of Ethics and personal trading.** LBC's code of ethics policy ("the Code") is based upon the premise that all LBC personnel ("Access Persons") have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service and put the interests of its Clients first. The Code requires Access Persons to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and to put Client interests ahead of those of LBC; (3) observe LBC's personal trading policies so as to avoid "front-running" and other conflicts of interests between LBC and its Clients; (3) report any perceived violations of the Code; and (4) ensure that they have read the Code, agreed to adhere to the Code, and are aware that a record of all violations of the Code will be maintained by LBC.

A copy of the Code is available to investors upon request.

- B.** For information on LBC's practice with respect to recommendations to Clients of securities in which LBC or a related person has a material financial interest, see above under "Item 10.C.3. Other investment advisers or financial planners" and "11.A. Code of Ethics."
- C.** For information on investments by LBC or related persons in securities recommended to Clients, see above under Items "10.C.3. Other investment advisers or financial planners" and "11.A. Code of Ethics."

- D.** For information on how LBC treats simultaneous purchases by Clients and LBC or related persons, see above under “Item 10.C.3. Other investment advisers or financial planners” and “Item 11.A. Code of Ethics.”

Item 12. Brokerage Practices

- A.** LBC does not maintain or operate a traditional securities trading desk to engage in the execution of publicly-traded securities. However, LBC, based on its management/advisory agreement, is granted discretion over the selection and amount of securities and other investments to be bought or sold without obtaining prior consent or approval from a Fund. LBC’s investment authority with respect to any particular Fund is subject to the investment objectives, guidelines and/or conditions set forth in the Fund’s Governing Documents. In addition, because the Funds invest in privately negotiated real estate transactions, the brokerage terms of such transactions are largely influenced by the counterparty and the availability of brokers capable of successfully executing such transactions.

LBC seeks to have transactions executed in the best interest of the participating Client or Clients, taking into account various factors such as the size, competence, and availability of brokers in addition to cost.

- 1. Research and other soft dollar benefits.** LBC does not accept soft dollar benefits nor does it participate in commission sharing arrangements.
 - 2. Brokerage for client referrals.** LBC does not direct brokerage in exchange for Client referrals.
 - 3. Directed brokerage.** LBC is granted discretion over the selection of brokers for securities transactions of the Funds. LBC’s investment authority with respect to any particular Fund is subject to the investment objectives, guidelines and/or conditions set forth in the Fund’s PPM. Each Fund’s limited partnership agreement does not require directed brokerage.
- B.** **Aggregation of client purchases or sales.** See above under “Item 10.C.3. Other investment advisers or financial planners.”

Item 13. Review of Accounts

- A.** **Monitoring of accounts.** LBC monitors each investment on a regular basis through an asset management and loan-servicing program designed to track a borrower's financial and operating performance and its ongoing liquidity. The research team will also augment monitoring by continuing to provide industry-related research for each investment. LBC requires detailed financial reports and operating information from its investments on a regular basis and conducts routine reviews and quantitative analyses of each investment. Depending on the structure of a specific investment, LBC may have board representation or board observation rights

Reviews. All investments will be assigned to a portfolio manager who will be responsible for maintaining communication with the management teams, senior lenders and equity owners. Formal portfolio review meetings will be held at least quarterly with LBC's senior members, or more frequently on an as-needed basis in order to review or approve structural changes for an existing investment. Further, investments structured in conjunction with the companies' senior or revolving lenders will commonly require the senior or revolving lender to share with Fund's its required monitoring and reporting received by the borrower.

Asset valuations, including permanent writedowns, are reviewed by the senior members and the finance team on a quarterly basis pursuant to LBC valuation policy in accordance with ASC 820 accounting procedures.

- B. Reports to Clients.** Fund investors are provided with: (i) annual audited financial statements of such Fund; (ii), quarterly unaudited financial statements, capital statements and other information regarding such Fund's investments and performance; and (iii) such other information as is necessary for the preparation of tax returns. In addition, there will be an annual investors meeting to review the status of each Fund.

Item 14. Client Referrals and Other Compensation

- A. Third party compensation.** No person who is not a client of LBC provides an economic benefit to LBC for providing investment advice or other advisory services to Clients.
- B. Referral compensation.** Presently, LBC does not provide compensation with respect to referrals of Clients.

Item 15. Custody.

Each Fund's financial statements are subject to audit by an independent public accountant at least annually and each Fund distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all investors, for each fiscal year and upon liquidation of such Fund, within certain applicable required time frames. Such audits will include any funds and securities that, as required by applicable law, are placed in custody with a qualified custodian.

Item 16. Investment Discretion.

Under each Fund's investment advisory agreements and charter documents, LBC has investment discretion to manage the Funds' assets in accordance with the disclosure in the related private offering documents.

Item 17. Voting Client Securities.

LBC investment strategy and portfolio composition do not include investments in publicly traded securities that attach voting rights, such as common stock. Therefore, LBC does not vote proxies.

Item 18. Financial Information.

LBC does not require or solicit prepayment of fees six months or more in advance. LBC is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients.