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# *Form ADV, Part 2A: Firm Brochure*

## *NewStar Financial, Inc.*

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This document (the “Brochure”) provides information about the qualifications and business practices of NewStar Financial, Inc. (“NewStar” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (617) 848-2500 and/or [info@newstarfin.com](mailto:info@newstarfin.com). 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 NewStar also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

NewStar may refer to itself as a “registered investment adviser” or describe itself as being “registered” from time to time. Registration with the SEC does not imply any level of skill or training.

**March 27, 2013**

## Material Changes

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This Brochure, dated March 27, 2013, is the annual update to the brochure dated February 14, 2012 and does not contain material changes.

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## Advisory Business

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NewStar was formed in 2004. NewStar is a publicly held company, and as of March 27, 2013, no shareholder held more than 25% of the outstanding voting securities of NewStar.

NewStar is an investment adviser that purchases, holds and sells secured and unsecured loans and other debt instruments on behalf of clients. NewStar will seek both current income and return of principal by

acquiring, holding and disposing of such loans and other assets. Please refer to “Methods of Analysis, Investment Strategies and Risk of Loss” below for more information.

NewStar’s only investment advisory clients are private pooled investment vehicles. As described more fully under “Types of Clients” below, NewStar’s clients consist of one hedge fund and one collateralized loan obligation (the “Client CLO”) managed by NewStar. Interests in NewStar’s clients are sold exclusively to high net worth individuals and institutions that meet certain qualifications based on net assets or investment experience. Throughout this Brochure, “clients” shall refer to both the hedge fund and the Client CLO managed by NewStar and “investors” shall refer to those vehicles’ underlying investors. In the case of the hedge fund, investors purchase equity stakes in the client. In the case of the Client CLO, investors generally hold debt securities that bear interest at rates pegged to LIBOR.

In addition to its clients, NewStar also manages collateralized loan obligations of which it is the sole equity holder (the “Proprietary CLOs”). Certain third parties may be creditors of these entities, whose returns on investment are based on a fixed rate, which is typically defined as a set percentage above the London Interbank Offered Rate (“LIBOR”). With respect to the Proprietary CLOs, NewStar is the only entity that receives returns based on capital appreciation. The Proprietary CLOs are proprietary accounts rather than clients of NewStar.

As set forth in its contractual agreements with clients, NewStar’s investment advisory services are limited to the purchase, holding and disposition of secured and unsecured loans and other debt instruments. Consideration or assessment of other types of assets is outside of the scope of NewStar’s investment strategy.

In addition to providing investment advisory services, NewStar is in the business of providing financing to mid-sized companies in the middle market. NewStar uses its own capital (including the capital of the Proprietary CLOs) and its advisory clients’ capital to fund its lending activities. Loans are originated by NewStar’s lending groups. Please refer to “Methods of Analysis, Investment Strategies and Risk of Loss,” and “Other Financial Industry Activities and Affiliations” for more information. NewStar may recommend investments in both assets that NewStar has originated and loans originated by third parties to its clients.

Before recommending the purchase or sale of a loan or debt instrument on behalf of a client, NewStar considers the portfolio of the individual client. As described more fully below, NewStar requires the consent of the Independent Investment Professional, who is an employee of its clients, before purchasing or selling any loan on behalf of its clients. NewStar has negotiated specific criteria regarding the securities that it may purchase and sell on behalf of the hedge fund. The offering memoranda and indenture agreements of the Client CLO also set forth specific criteria for the types of assets that may be purchased to collateralize NewStar’s obligations to the investors in the Client CLO. NewStar does not tailor its advisory services to the needs of individual investors.

NewStar manages \$559,328,145 of client assets as of December 31, 2012.

## **Fees and Compensation**

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NewStar is compensated for advisory services by a “management fee” based on the value of certain client assets invested with NewStar and, in certain cases, by a share of capital appreciation on its clients’ investments.

### Fees and Compensation of the Hedge Fund

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The hedge fund will pay a management fee monthly in arrears. The fee will be charged to the hedge fund based on the carrying value of its gross assets. This fee will be calculated at an annual rate of 0.625% of the total gross asset value. NewStar will generally allocate the management fee into its capital account in the hedge fund from investors' capital accounts.

The hedge fund will pay all costs, expenses and liabilities in connection with its operations, including, but not limited to, the management fee, performance-based fees (as described more fully under "Performance-Based Fees and Side-By-Side Management" below), organizational expenses, expenses of the Independent Investment Professional (as described more fully under "Participation or Interest in Client Transactions" below), insurance costs, audit expenses, interest expenses and financing costs. The hedge fund may incur other expenses related to its own operations, which shall not exceed a fixed negotiated amount without the consent of 51% of the shareholders of the hedge fund. As discussed more fully under "Brokerage Practices" below, NewStar may incur brokerage costs and commissions on behalf of the hedge fund, which will be borne by the hedge fund.

### Fees and Compensation of the CLOs

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The Client CLO will pay management fees quarterly in arrears. The fees will be paid out of the proceeds of interest payments and principal repayments received during the prior quarter. The fees will generally be calculated based on the aggregate amount of assets under management, as set forth in more detail in the CLO's offering memorandum and indenture, but will generally be calculated at a rate equivalent to 0.625% of assets under management. Fees will be distributed to NewStar directly from client assets.

The Client CLO will also bear its own administrative expenses, which include expenses of their service providers (including, but not limited to, the trustee, independent accountants, agents, counsel), fees and expenses in connection with any rating or credit estimate of its notes, fees associated with a listing of any debt interests in the Client CLO on any stock exchange, taxes or government fees, insurance liabilities associated with their operations, and any other fees or expenses permitted under their indenture agreements. Investors should carefully review their respective offering memorandum and indenture agreement. As disclosed more fully under "Brokerage Practices" below, NewStar may incur brokerage costs and commissions on behalf of the Client CLO, which will be borne by the Client CLO.

### Compensation for the Sale of Securities

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NewStar is not compensated for the sale of securities or other investment products. NewStar may underwrite the loans that clients later acquire for their portfolios. NewStar generally expects to receive compensation from the companies to which such loans are made, which may include (but is not necessarily limited to) structuring, placement and syndication fees. When NewStar (or an affiliate) sells such loans to clients, the transaction must be at fair market value, which will be determined either (a) by reference to dealer quotes or the price paid by a material unrelated secondary buyer in a contemporaneous sale on the same terms, or (b) to the extent that there is no independent sale or the price paid in such sale is not reasonably ascertainable, the price that an unrelated independent secondary market acquirer would pay for such asset in an arm's length transaction. Generally, NewStar expects to determine fair market value of such assets to be equal to the value at which NewStar is carrying the asset on its books (net of any fees described earlier in this paragraph retained by NewStar), provided there has been no material change known to NewStar in the financial condition of the applicable company.

When purchasing an asset originated by NewStar for the portfolio of a client, NewStar requires the consent of the Independent Investment Professional, which will generally be contingent upon the

judgment that the transaction is effected at the fair market value price with no additional markup by NewStar.

## **Performance-Based Fees and Side-By-Side Management**

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NewStar accepts a performance fee from the hedge fund. The performance fee is calculated as 20% of net capital appreciation above the highest year-end net asset value.

NewStar does not generally receive a separate performance-based fee for managing the Client CLO. The equity of the Client CLO is wholly owned by the hedge fund, and the assets of the CLO are hedge fund assets for the purposes of calculating the performance fee. As such, NewStar does not believe that a conflict of interest exists between the hedge fund and the Client CLO.

In the Proprietary CLOs, the only other persons who receive a financial return are creditors who hold debt instruments that return a fixed rate (typically calculated as a set percentage above the LIBOR). NewStar retains all the equity in the Proprietary CLOs. This means that NewStar may retain the proceeds of capital appreciation of assets held by its Proprietary CLOs once creditors have received their contracted fixed returns.

NewStar has entered into a contractual agreement with the investors in the hedge fund and the Client CLO setting forth the minimum percentage of an opportunity that must be offered to the hedge fund (or the Client CLO). NewStar believes that this policy, which was negotiated directly with its investors, adequately addresses any conflict of interest embedded in the differing fee structures of the private funds it manages.

## **Types of Clients**

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NewStar's only investment advisory clients are private pooled investment vehicles. Interests in NewStar's clients are sold exclusively to high net worth individuals and institutions that meet certain qualifications based on net assets or investment experience. The institutions may include banks or financial institutions, businesses or corporations, universities, pension funds or other high net worth entities. "Investors" refers to the individuals and institutions that contribute capital to NewStar's clients.

NewStar's clients are the private pooled investment vehicles they manage. NewStar manages both a hedge fund and a collateralized loan obligation (CLO).

Investors in the hedge fund purchase equity stakes in the hedge fund. The hedge fund compensates NewStar based on a percentage of assets under management and net capital appreciation. Investment returns of investors in the hedge fund are based on capital appreciation. The minimum investment in a hedge fund managed by NewStar is typically \$25 million.

Creditors of the Client CLO generally purchase debt and receive returns based on a fixed rate, and investors in the Client CLO purchase equity and receive returns based on capital appreciation. The Client CLO compensates NewStar based on a percentage of the assets it manages. The minimum debt investment by a creditor in a CLO managed by NewStar is typically \$1 million.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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## Investment Strategies and Methods of Analysis

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NewStar will acquire secured and unsecured loan and other debt instruments, and will seek current income and return of principal by acquiring, holding and disposing of such loans and other assets. Target client investments will include loans in the corporate middle market, real estate and asset-backed securities market segments. NewStar will select investments in these markets to be acquired by clients. Such investments may be acquired by clients from NewStar or from other originators or owners of such assets.

NewStar may frequently recommend debt instruments that it has originated. As a loan originator, NewStar attempts to make loans to small and mid-sized businesses and borrowers including loans in the corporate middle market, real estate and asset-backed securities market segments. NewStar believes that focusing its efforts in these specific sectors, industries and markets allows it to better satisfy the special financing needs of those sectors. NewStar's lending groups are:

- **Leveraged Finance**, provides senior, secured cash flow loans and, to a lesser extent, second lien loans which are primarily used to finance acquisitions of mid-sized companies with annual cash flow (EBITDA) typically between \$5 million and \$30 million by private equity investment funds managed by established professional alternative asset managers;
- **Business Credit**, provides senior, secured asset-based loans primarily to fund working capital needs of mid-sized companies with sales typically totaling between \$25 million and \$500 million;
- **Real Estate**, manages an existing portfolio of existing first mortgage debt which was sourced primarily to finance acquisitions of commercial real estate properties typically valued between \$10 million and \$50 million; and
- **Equipment Finance**, provides leases, loans and lease lines to finance equipment purchases and other capital expenditures typically for companies with annual sales of at least \$25 million.

NewStar will identify investments in loans originated by its lending groups. NewStar will also attempt to leverage the experience of its lending professionals when evaluating assets that have been originated by third parties.

NewStar may also identify investments in loans or other assets that are not originated by its lending groups. In these cases, NewStar will perform a thorough credit analysis, including analysis of the debt structure of the company and the priority of NewStar's investment. This analysis will include detailed review of creditworthiness of the borrower and of the collateral, if any, securing the loan.

## Risk Factors

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### Risks of NewStar's Investment Strategy

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**Dependence on NewStar and on the Independent Investment Professional.** The success of clients' investment programs depends on the ability of NewStar to perform due diligence and select assets to be purchased by clients, and to manage, leverage, hedge and dispose of such assets, as appropriate. Clients will be dependent on the managerial experience of NewStar and certain of its officer and employees. The loss of one or more of the executive employees or officers could have a material adverse impact on clients. The success of clients will also depend on decisions made by the Independent Investment Professional regarding whether or not to approve purchases by clients. Investors generally have no authority to make decisions or to exercise business discretion on behalf of clients. NewStar's and the

Independent Investment Professional's review of loans and other debt instruments will require the application of significant judgment, which may not be correct.

**Use of Leverage.** The Firm expects to direct clients to borrow money in connection with the purchase or financing of their assets. Money borrowed by clients will be subject to interest costs, which will be an expense of the clients, and, to the extent not covered by income attributable to the assets acquired, will adversely affect the operating results of such client. Interest indebtedness may be based on an index different than that of the clients' assets securing such indebtedness, which mismatch may or may not be hedged, and, if not covered by such assets and/or hedge receipts, may cause a default on such indebtedness and adversely affect the client. If a client defaults on a borrowing, the lender will be entitled to liquidate the assets pledged to secure the loan on such terms as the lender determines.

**Hedging and Other Derivative Transactions.** The Firm may utilize financial instruments such as forward contracts, currency options and interest rate swaps, caps and floors to seek to hedge against changes in currency exchange rates and market interest rates. Clients may enter into credit default swaps or synthetic security transactions as a buyer or seller of credit protection. Clients may also engage in hedging transactions. The success of the Firm's hedging transactions is subject to its ability to correctly predict movements in the direction of currency and interest rates. Therefore, while the Firm may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency or interest rates may result in a poorer overall performance for the Fund than if the Firm had not engaged in any such hedging transactions. For a variety of reasons, the Firm may not seek to, or be able to, establish a perfect correlation between such hedging instruments and the Fund assets being hedged. Such imperfect correlation may prevent clients from achieving the intended hedge or expose clients to risk of loss.

**Economic Recession.** Borrowers on loans owned by clients and obligors with respect to collateral securing other debt instruments owned by clients could be susceptible to economic recession or downturns and may be unable to meet covenant requirements or service their obligations for indefinite periods of time. This could lead to default and, consequently, termination of a loan or other debt instrument or write down or other reduction in the value thereof, and the exercise of remedies with respect to any collateral securing such loan or other debt instrument.

**Nature of Borrowers.** The Firm intends to recommend purchase of loans which have been made primarily to small and mid-sized privately-held companies. Compared to larger, publicly-traded companies, these companies generally have more limited access to capital, higher funding costs and may be in a weaker financial position. These financial challenges may make it difficult for the borrowers to make scheduled payments of interest or principal on their loans. Accordingly, advances made to these types of borrowers may entail higher risks than advances made to larger, publicly-traded companies. As a result, clients (and their underlying investors) could suffer losses.

**Concentration.** A concentration by a client of loans or collateral securing the other debt instruments to a limited number of borrowers or obligors within a particular industry or region or a concentration of loans or other debt instruments secured by a limited class of assets could impair the client's portfolio if the industry or region were to experience economic difficulties or if the asset class were to fall out of favor in the market. As a result, investors could suffer losses.

**Lender Liability; Equitable Subordination.** In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary

duty owed to the borrower or its other creditors or shareholders. The Firm's clients may be subject to allegations of lender liability. The Firm cannot provide assurance that these claims will not arise or that it will not be subject to significant liability if a claim of this type did arise.

***Bankruptcy and Restructuring Risk.*** There is a significant risk that one or more of the borrowers of loans held by the clients may enter bankruptcy proceedings. Such proceedings may result in, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of the related loan. There are a number of significant risks inherent in the bankruptcy process. First, rulings in a bankruptcy case are the product of adversarial proceedings determined by a court with equitable powers, and are beyond the control of specific creditors. Second, a bankruptcy filing may adversely and permanently affect the borrower making such filing. The borrower may lose its market position, key employees, relationships with important suppliers, access to the capital markets or other sources of liquidity and otherwise become incapable of restoring itself as a viable entity. If for this, or any other reason, a Chapter 11 reorganization is converted to or becomes a liquidation, the liquidation value of the borrower may not equal the liquidation value that was believed to exist at the time of purchase of the loan. Third, the duration of a bankruptcy case is difficult to predict. A creditor's return on investment can be adversely affected by delays while a plan of reorganization is being negotiated, approved by parties in interest and confirmed by the bankruptcy court until it ultimately becomes effective. For example, in general, unsecured creditors' claims for interest accrued between the bankruptcy filing and a reorganization plan's consummation are not allowed. Fourth, the administrative costs of the debtor and official committees in connection with the bankruptcy case are frequently high and will be paid out of the debtor's estate prior to any return to general unsecured creditors. If the bankruptcy case involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to such administrative costs; a creditor's costs in monitoring and enforcing its investment also may substantially increase. Certain claims that have priority by law (for example, claims for taxes) also may be significant. Finally, under certain circumstances, creditors' claims against bankrupt or insolvent entities are subject to equitable subordination or recharacterization as equity (particularly where the creditor is an insider or otherwise controls the debtor), and transfers made to creditors may be subject to avoidance and disgorgement as preferences or fraudulent conveyances.

***Ability to Purchase Loans on Advantageous Terms; Competition and Supply.*** The success of the Firm's investment strategy will depend, in part, on the Firm's ability to identify loans for purchase on advantageous terms. In purchasing loans, clients will compete with a broad spectrum of investors, many of which have substantially greater financial resources and are more well-known than the Firm and its clients. Increased competition for, or a diminishment in the available supply of, qualifying loans could result in lower yields on such loans

***Diversification.*** While the Firm expects to maintain a diversified portfolio for the Fund, there is no guarantee that it will be able to do so. The Firm may invest a relatively substantial portion of a client's capital in any one investment. An unfavorable performance by one or more of these relatively large investments could have a substantial adverse impact on the client.

### Risks of Asset Classes Recommended by NewStar

***Credit Losses.*** A credit loss will occur if the Firm determines that all or part of the principal of a particular loan or other debt instrument has become unrecoverable and will not be repaid, or for loans or other debt instruments purchased at a discount, if the Firm determines that the applicable client will not recover the acquisition price thereof. Clients may experience losses in connection with its loans and other debt instruments.



***Illiquid Assets.*** Clients will acquire and own illiquid assets for which there may not be a ready market of purchasers or that are subject to transfer restrictions and are not publicly traded. Clients' investments in illiquid assets may restrict their ability to dispose of such assets in a timely fashion and for a fair price. Illiquid assets may trade at a discount from comparable, more liquid investments.

***Risks of Term B, Second Lien and Mezzanine Loans.*** For certain clients, the Firm may recommend the purchase of Term B, second lien and mezzanine loans, which may increase its risk of loss because the Fund will be limited in pursuing its rights and remedies under such loans. Term B loans are fully secured senior loans that are equal as to collateral and junior as to right of payment to obligations to borrowers' other senior lenders. Second lien loans are junior as to both collateral and right of payment to obligations to borrowers' senior lenders. Mezzanine loans may not have the benefit of any lien against the borrower's collateral and are junior to any lien holder both as to collateral and payment. As a result of their junior nature, the Firm may be limited in clients' ability to enforce its rights to collect principal and interest on these loans or to recover any of the loan balance through a foreclosure of collateral. In many instances, clients would also be prohibited from foreclosing on a Term B, second lien or mezzanine loan until the senior loan is paid in full. Moreover, any amounts that a client might realize as a result of its collection efforts or in connection with a bankruptcy or insolvency proceeding involving a borrower under a Term B, second lien or mezzanine loan must generally be turned over to the senior lender until the senior lender has realized the full value of its own claims. These restrictions may materially and adversely affect clients' ability to recover the principal of any non-performing Term B, second lien or mezzanine loans.

***Balloon Loans and Bullet Loans.*** The Firm intends to recommend purchase of balloon loans and bullet loans which tend to be more risky than other types of loans. A balloon loan is a term loan with a series of scheduled payment installments calculated to amortize the principal balance of the loan so that upon maturity of the loan more than 25%, but less than 100%, of the loan balance remains unpaid and must be satisfied. A bullet loan is a loan with no scheduled payments of principal before the maturity date of the loan. On the maturity date, the entire unpaid balance of the loan is due. Balloon loans and bullet loans involve a greater degree of risk than other types of loans because they require the borrower to make a large final payment upon the maturity of the loan. The ability of a borrower to make this final payment upon the maturity of the loan typically depends upon its ability either to generate sufficient cash flow to repay the loan prior to maturity, to refinance the loan or to sell the related collateral securing the loan, if any. The ability of a borrower to accomplish any of these goals will be affected by many factors, including the availability of financing at acceptable rates to the borrower, the financial condition of the borrower, the marketability of the related collateral, the operating history of the related business, tax laws and the prevailing general economic conditions. Consequently, the borrower may not have the ability to repay the loan at maturity and clients could lose all or most of the principal invested in such loans.

***Cash Flow Loans.*** NewStar intends to recommend purchase of cash flow loans. Cash flow lending involves lending money to a borrower based primarily on the expected cash flow, profitability and enterprise value of a borrower rather than on the value of its tangible assets. Thus, if a cash flow loan were to become non-performing, the Firm's primary recourse to recover some or all of the principal of its loan would be to force the sale of the entire borrower as a going concern. If a client were a subordinate lender rather than the senior lender in a cash flow loan, the client's ability to take such action would be further constrained by any agreements with the senior lender. The risks inherent in cash flow lending include, but are not limited to, the following:

- i. Reduced use of or demand for the borrower's products or services and, thus, reduced cash flow of the borrower to service the loan as well as reduced value of the borrower as a going concern;

- ii. Economic downturns, political events, regulatory changes, litigation or acts of terrorism that affect the borrower's business, financial condition and prospects;
- iii. Poor management performance; and
- iv. Poor accounting systems of the borrower, which will adversely affect clients' ability to accurately predict the borrower's cash flows.

Additionally, borrowers may use the proceeds of cash flow loans to make acquisitions. Poorly executed or poorly conceived acquisitions can hinder management, systems and the operations of the existing business, causing a decline in both the borrower's cash flow as well as the value of its business as a going concern. In addition, many acquisitions involve new management teams taking over control of a business. These new management teams may fail to execute at the same level as the former management team, which could reduce the cash flow of a borrower as well as reduce the value of a borrower as a going concern.

***Inadequacy of Collateral.*** The collateral securing a loan may not be sufficient to protect clients from a partial or complete loss if the loan becomes non-performing and clients are required to foreclose. While some loans recommended to clients will be secured by liens on specified collateral of its borrowers, there is no assurance that the collateral securing any particular loan will protect a client from suffering a partial or complete loss if the loan becomes non-performing and the client moves to foreclose on the collateral. The collateral will be subject to inherent risks that may limit the client's ability to recover the principal of a non-performing loan.

***Real Estate Risk.*** The value of the real estate which underlies commercial mortgage loans is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation. In addition, adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain equity in the property declines. Properties which may secure loans purchased by a client may be suffering varying degrees of financial distress or may be located in economically distressed areas. Loans may become nonperforming for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged (and, therefore, the property is unable to generate sufficient income to meet its debt service payments), the property is poorly managed or because the mortgaged property has a high vacancy rate, has not been fully completed or is in need of rehabilitation. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. However, even if such restructuring were successfully accomplished, a risk exists that upon maturity of such mortgage loan, replacement "take-out" financing will not be available.

***Voting Restrictions on Syndicated Fund Assets for Minority Holders.*** The Firm will recommend purchase of certain assets in the form of an assignment of, or participation in, a note or other obligation issued under a loan facility to which more than one lender is a party. These loan facilities are administered for the lenders by a lender or other agent acting as the lead administrator. The terms and conditions of these loan facilities may be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders, and the Firm's clients typically will have a minority interest in such loan facilities. Consequently, the terms and conditions of an asset arising from a loan facility could be modified, amended or waived in a manner contrary to the preferences of the Firm or its clients, as the case may be, if a sufficient number of the other lenders concurred with such modification, amendment or waiver. There can be no assurance that

any obligations arising from any loan facility will maintain the terms and conditions to which the Firm in interest to its clients originally agreed.

## **Disciplinary Information**

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NewStar is not aware of any legal or disciplinary events that are material to a client's or investor's evaluation of NewStar or the integrity of its management.

## **Other Financial Industry Activities and Affiliations**

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In addition to providing investment advisory services, NewStar is in the business of providing financing to mid-sized companies in the middle market. NewStar uses its own capital and its advisory clients' capital to fund its lending activities. Loans are originated by NewStar's lending groups. Generally, loans originated by NewStar are held on NewStar's balance sheet, sold to advisory clients or sold to unaffiliated third parties. NewStar believes that its position in the market as a loan originator is generally beneficial to clients insofar as gives its clients the first opportunity to acquire debt instruments originated by NewStar.

When originating loans, NewStar expects to receive fees including structuring, placement and syndication fees from the companies to which it provides financing. NewStar retains these fees in their entirety. NewStar may originate and transfer loans to client accounts. NewStar must obtain the approval of the Independent Investment Professional on each transfer of a loan or other debt instrument from NewStar's balance sheet to the account of a client. The Independent Investment Professional is employed directly by NewStar's clients.

Neither NewStar 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), futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities. NewStar does not have any relationship that is material to its advisory business with another business in the financial industry. NewStar does not recommend or select other investment advisers for clients.

## **Code of Ethics and Personal Trading**

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As an investment adviser, NewStar stands in a position of trust and confidence with respect to its clients. NewStar has a fiduciary duty to place the interests of its clients before its own interests and the interests of its employees. All of NewStar's personnel must put the interests of clients before their own personal interests and must act honestly and fairly in dealings with clients. All of NewStar's personnel must also comply with all federal and other applicable securities laws. NewStar has developed a compliance program to establish these rules of conduct for its personnel.

As part of its compliance program, NewStar has adopted a personal trading policy requiring access persons to disclose all holdings in personal trading accounts and all personal securities transactions in a timely manner. The Firm also maintains a "restricted list" of companies about which a determination has been made that it is prudent to restrict trading activity by the Firm and/or its personnel. Generally, an employee may not trade securities of a company included on the restricted list; however, exceptions may be granted under certain circumstances if pre-clearance is granted. NewStar may also require

employees to pre-clear transactions in the securities of certain issuers that are not on the restricted list, as determined by the Firm from time to time.

NewStar has also adopted policies regarding the control of non-public information, gifts and entertainment, and political contributions. NewStar's compliance program is designed to promote the ethical behavior of all of the Firm's personnel and to ensure compliance with applicable regulation and best practices. NewStar will provide a copy of its code of ethics to any investor upon request.

## **Participation or Interest in Client Transactions**

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NewStar expects to routinely recommend investments to clients in assets in which it has a proprietary interest. NewStar may underwrite the loans that clients later acquire for their portfolios, and will hold such loans that it underwrites on its balance sheet for 30 days. NewStar then expects to recommend the loans for purchase by its clients. When NewStar (or an affiliate) sells such loans to clients, the transaction must be at fair market value, which will be determined either (a) by reference to dealer quotes or the price paid by a material unrelated secondary buyer in a contemporaneous sale on the same terms, or (b) to the extent that there is no independent sale or the price paid in such sale is not reasonably ascertainable, the price that an unrelated independent secondary market acquirer would pay for such asset in an arm's length transaction. Generally, NewStar expects to determine fair market value of such assets to be equal to the value at which NewStar is carrying the asset on its books (net of any fees described earlier in this paragraph retained by NewStar), provided there has been no material change known to NewStar in the financial condition of the applicable company.

NewStar's clients employ the Independent Investment Professional, who represents client interests and evaluates client investments. When purchasing an asset originated by NewStar for the portfolio of a client, NewStar requires the consent of the Independent Investment Professional, which will generally be contingent upon the judgment that the transaction is effected at the fair market value price with no additional markup by NewStar. NewStar will not sell any asset to a client that has not been approved by the Independent Investment Professional.

NewStar owns the equity of certain of the Proprietary CLOs. NewStar may recommend purchase of the same assets to both the Proprietary CLOs and its clients. NewStar has a contractual allocation policy that requires it to offer a fixed percentage of certain assets to clients (which must then be approved by the Independent Investment Professional). NewStar believes that this procedure adequately addresses any potential conflict. If NewStar purchases or sells an instrument at the same time on behalf of both clients and the Proprietary CLOs, NewStar will purchase and sell the assets for all accounts side by side, participating on materially the same terms and conditions.

## **Brokerage Practices**

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NewStar generally has authority to direct client transactions, pursuant to the approval of the Independent Investment Professional. As a result, it is NewStar's duty to use reasonable efforts to obtain best execution for client transactions. In placing orders to purchase and sell securities for clients, NewStar considers a number of factors in selecting appropriate brokers or dealers.

Most investments recommended to clients will be originated by NewStar. When NewStar recommends investments that were originated by a third party, such investments will only be available through a

limited universe of brokers or dealers. When possible, NewStar will evaluate brokers or dealers based on factors which include, but are not necessarily limited to:

- Access to underwritten offerings and secondary markets;
- Overall costs of a transaction (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads and other current transaction costs;
- Reputation, financial strength and stability;
- Quality of execution (including accurate and timely execution, clearance and dispute resolution);
- Willingness to execute difficult transactions; and
- Market intelligence regarding trading activity.

NewStar does not enter into formal soft dollar arrangements, allocate brokerage for client referrals, or enter into directed brokerage arrangements. If NewStar determines to enter into such arrangements in the future, this Brochure will be amended to reflect this change.

## **Review of Accounts**

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NewStar's portfolio managers review client holdings on an ongoing basis. This includes review of client holdings against investment guidelines, including asset class and certain risk parameters (such as diversification of investments and general creditworthiness of client assets).

NewStar provides audited financial statements to investors in its clients annually within 120 days of fiscal year-end. NewStar also provides quarterly unaudited financial statements to investors.

## **Client Referrals and Other Compensation**

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Only clients provide a benefit to NewStar for providing investment advice. Neither NewStar nor any related person compensates a third party for client referrals.

## **Custody**

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NewStar may be deemed to have custody over clients' assets by virtue of its ability to withdraw funds or assets from client accounts. CLO investors should receive quarterly statements directly from U.S. Bank, the trustee of the CLOs. NewStar will not generally send statements to investors.

For all clients, NewStar will meet the applicable provisions of the SEC's Custody Rule by arranging for an annual audit and distribution of the results of that audit within 120 days of fiscal year-end.

## **Investment Discretion**

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While NewStar has discretion to choose the assets recommended to clients, the Independent Investment Professional must approve certain purchases of assets from NewStar. NewStar's clients' investment guidelines also place certain limitations on the investments that can be recommended by NewStar. These guidelines generally restrict the asset class in which NewStar can recommend investments to loans, debt and other debt-related instruments. The guidelines may also set forth certain

risk parameters for client portfolios. Such guidelines are generally not negotiable, although from time to time NewStar may negotiate its investment guidelines with certain investors.

### **Voting Client Securities**

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Although NewStar has authority to vote client securities, acquisition of securities with voting authority is not generally permitted under the investment guidelines of NewStar's clients. Nevertheless, if NewStar should hold securities with voting authority and receive proxies, NewStar will determine how to vote in order to maximize value for clients. This will generally depend on a number of factors, including the type of assets held by NewStar, the situation of the company and the content of the proxy proposal. NewStar will retain a record of all votes, including how NewStar voted, and provide this record to investors upon request.

### **Financial Information**

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NewStar has no current financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

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## *Form ADV, Part 2B: Brochure Supplement A*

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### **Timothy J. Conway**

500 Boylston Street, Suite 1250  
Boston, MA 02116  
P 617.848.2500  
F 617.848.4300

### **NewStar Financial, Inc.**

500 Boylston Street, Suite 1250  
Boston, MA 02116  
P 617.848.2500  
F 617.848.4300

This brochure supplement provides information about Timothy J. Conway that supplements the NewStar Financial, Inc. ("*NewStar*") brochure, which is publicly available on the website of the United States Securities and Exchange Commission. Please contact NewStar at (617) 848-2500 if you do not have access to NewStar's brochure or if you have any questions about the contents of this supplement.

**March 27, 2013**

## **Item 2: Educational Background and Business Experience**

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Timothy J. Conway founded NewStar in June 2004 and serves as its Chief Executive Officer. He was elected as the Chairman of NewStar's Board of Directors in 2006 and serves on NewStar's Management and Investment Committees.

From 1996 to 2002, Mr. Conway managed Corporate Finance and Capital Markets for FleetBoston Financial Corporation. He was a member of Fleet's Management, Credit, Policy and Market Risk Committees. Prior to joining Fleet, Mr. Conway was a Senior Securities officer at Citicorp Securities Inc. and had responsibility for the bank's private placement, loan syndication and acquisition finance businesses. Mr. Conway began his career in finance at Aetna, where he was an Investment Director responsible for the purchase and management of privately placed debt securities, including project finance and other structured securities.

Mr. Conway holds a B.A. from Fairfield University and an MBA from the University of Connecticut.

Mr. Conway was born in 1954.

## **Item 3: Disciplinary Information**

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There are no legal or disciplinary events material to a client's, prospective client's or investor's evaluation of Mr. Conway.

## **Item 4: Other Business Activities**

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Mr. Conway is not actively engaged in any other business or occupation that provides a substantial source of his income or involves a substantial amount of his time.

## **Item 5: Additional Compensation**

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No one who is not a client provides an economic benefit to Mr. Conway for providing advisory services to NewStar's clients.

## **Item 6: Supervision**

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The members of NewStar's Investment Committee, who include members of senior management such as the Mr. Conway, the Chief Investment Officer, the Chief Credit Officer, the Treasurer and the Co-Heads of Leveraged Finance Origination, review and approve all purchases of securities for client account recommended by Mr. Conway or any other employee. Neither Mr. Conway nor any other person has authority to purchase assets for clients without approval of the investment committee. In addition, NewStar's investment professionals review client holdings on an ongoing basis.



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## *Form ADV, Part 2B: Brochure Supplement B*

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### **Peter A. Schmidt-Fellner**

9 Old Kings Highway South, 4<sup>th</sup> Floor  
Darien, CT 08820  
P 203.716.8400  
F 203.716.8449

### **NewStar Financial, Inc.**

500 Boylston Street, Suite 1250  
Boston, MA 02116  
P 617.848.2500  
F 617.848.4300

This brochure supplement provides information about Peter A. Schmidt-Fellner that supplements the NewStar Financial, Inc. ("*NewStar*") brochure, which is publicly available on the website of the United States Securities and Exchange Commission. Please contact NewStar at (617) 848-2500 if you do not have access to NewStar's brochure or if you have any questions about the contents of this supplement.

**March 27, 2013**

## **Item 2: Educational Background and Business Experience**

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Peter A. Schmidt-Fellner serves as Chief Investment Officer of NewStar and is a member of NewStar's Management and Underwriting Committees and is Chairman of NewStar's Investment Committee. He is also a member of NewStar's Board of Directors. Mr. Schmidt-Fellner joined Newstar in June 2004.

Prior to joining NewStar, Mr. Schmidt-Fellner spent approximately ten years at JP Morgan Securities Inc. and its predecessor institutions. He was Head of High-Yield Bond Sales, Trading, Research and Loan Trading and co-Head High-Yield Capital Markets. During his tenure, Mr. Schmidt-Fellner was also responsible for building the JP Morgan's loan trading business in the United States. Mr. Schmidt-Fellner was a founder of Chemical Securities Inc.'s high-yield bond business, which was merged sequentially with the high yield operations at Chase Securities Inc. and JP Morgan Securities Inc. His responsibilities included, but were not limited to, risk management oversight of the High Yield Bond and Loan Trading portfolios as well as co-responsibility for the Bridge Loan portfolio. Mr. Schmidt-Fellner was also a member of the High Yield New Issue Underwriting Committee. Previously, he spent approximately two and one-half years with Citicorp Securities Inc. and approximately six years in the investment banking division of Drexel, Burnham, Lambert & Co.

Mr. Schmidt-Fellner graduated *summa cum laude* from Colby College and received an MBA with distinction from the Amos Tuck School of Business at Dartmouth College.

Mr. Schmidt-Fellner was born in 1956.

## **Item 3: Disciplinary Information**

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There are no legal or disciplinary events material to a client's, prospective client's or investor's evaluation of Mr. Schmidt-Fellner.

## **Item 4: Other Business Activities**

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Mr. Schmidt-Fellner is not actively engaged in any other business or occupation that provides a substantial source of his income or involves a substantial amount of his time.

## **Item 5: Additional Compensation**

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No one who is not a client provides an economic benefit to Mr. Schmidt-Fellner for providing advisory services to NewStar's clients.

## **Item 6: Supervision**

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The members of NewStar's Investment Committee, who include members of senior management such as the Chief Executive Officer, Mr. Schmidt-Fellner, the Chief Credit Officer, the Treasurer and the Co-Heads of Leveraged Finance Origination, review and approve all purchases of securities for client account recommended by Mr. Schmidt-Fellner or any other employee. Neither Mr. Schmidt-Fellner nor any other person has authority to purchase assets for clients without approval of the investment committee. In addition, NewStar's investment professionals review client holdings on an ongoing basis.

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## *Form ADV, Part 2B: Brochure Supplement C*

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### **John Kirby Bray**

500 Boylston Street, Suite 1250  
Boston, MA 02116  
P 617.848.2500  
F 617.848.4300

### **NewStar Financial, Inc.**

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F 617.848.4300

This brochure supplement provides information about John Kirby Bray that supplements the NewStar Financial, Inc. ("*NewStar*") brochure, which is publicly available on the website of the United States Securities and Exchange Commission. Please contact NewStar at (617) 848-2500 if you do not have access to NewStar's brochure or if you have any questions about the contents of this supplement.

**March 27, 2013**

## **Item 2: Educational Background and Business Experience**

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John Kirby Bray serves as Chief Financial Officer of NewStar and is a member of NewStar's Management and Investment Committees. Mr. Bray joined NewStar in 2005. Mr. Bray is responsible for all finance and administration functions, including accounting, technology and operations.

Prior to joining NewStar, Mr. Bray held a number of positions at Fleet since 1979. In the spring of 2003, Mr. Bray was named Director of Finance, where he was responsible for all financial management of revenue producing divisions. From 2001 through 2003, he was Director of Finance for the Wholesale and International Banking Divisions. In this role, Mr. Bray was responsible for all financial management issues of this sector, including controllership, planning and analysis and management of strategic financial issues. Between 1998 and 2001, he served as Executive Vice President and Chief Financial Officer of Fleet Credit Card Services where he was responsible for all accounting, financial, treasury and compliance activities including the unit's securitization program involving road shows, rating agency presentations, and new issues. Prior to 1998, Mr. Bray held numerous senior financial positions, including Director of Corporate Regulatory Compliance and Senior Vice President of Government and Corporate Affairs.

Mr. Bray holds a B.A. in Economics from Holy Cross and an MBA from the University of Hartford.

Mr. Bray was born in 1957.

## **Item 3: Disciplinary Information**

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There are no legal or disciplinary events material to a client's, prospective client's or investor's evaluation of Mr. Bray.

## **Item 4: Other Business Activities**

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Mr. Bray is not actively engaged in any other business or occupation that provides a substantial source of his income or involves a substantial amount of his time.

## **Item 5: Additional Compensation**

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No one who is not a client provides an economic benefit to Mr. Bray for providing advisory services to NewStar's clients.

## **Item 6: Supervision**

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The members of NewStar's Investment Committee, who include members of senior management such as the Chief Executive Officer, the Chief Investment Officer, the Chief Credit Officer, the Treasurer and the Co-Heads of Leveraged Finance Origination, review and approve all purchases of securities for client account recommended by Mr. Bray or any other employee. Neither Mr. Bray nor any other person has authority to purchase assets for clients without approval of the investment committee. In addition, NewStar's investment professionals review client holdings on an ongoing basis.

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## *Form ADV, Part 2B: Brochure Supplement D*

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### **Daniel D. McCready**

9 Old Kings Highway South, 4<sup>th</sup> Floor  
Darien, CT 08820  
P 203.716.8400  
F 203.716.8449

### **NewStar Financial, Inc.**

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This brochure supplement provides information about Daniel D. McCready that supplements the NewStar Financial, Inc. ("*NewStar*") brochure, which is publicly available on the website of the United States Securities and Exchange Commission. Please contact NewStar at (617) 848-2500 if you do not have access to NewStar's brochure or if you have any questions about the contents of this supplement.

**March 27, 2013**

## **Item 2: Educational Background and Business Experience**

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Daniel D. McCready serves as a Managing Director of the Company and Chief Credit Officer. He is a member of the firm's Management and Underwriting Committees. Mr. McCready joined NewStar in March 2013.

From 2007 to 2013, Mr. McCready was at CIT Group, Inc., where most recently he served as Chief Credit Officer of CIT Corporate Finance. As a Chief Credit Officer at CIT since 2009, he chaired the firm's Corporate Finance Credit Committee with approval authority over a \$10 billion portfolio and responsibility for approving transactions across all industry groups and product categories in the Corporate Finance division, including sponsor finance, asset-based lending and equipment finance. He was previously responsible for all underwriting across the firm's Commercial & Industrial business as Chief Underwriter from 2007 to 2009.

From 2004 to 2007, Mr. McCready served as a Managing Director at GE Capital where in his role as Manager, Large Cap Risk within GE Global Sponsor Finance he was responsible for credit risk, transaction execution and portfolio management for leveraged transactions.

Prior to his experience at GE capital, Mr. McCready spent three years as a Managing Director in the Leveraged Finance Group at CIBC World Capital Markets where he served as an advisor to the leveraged loan group on troubled debt negotiations and structuring, and six years at Bankers Trust Company where as a Managing Director within the Financial Sponsors Group he was responsible for origination transactions for leveraged buyouts, recapitalizations and corporate acquisitions.

Previously, Mr. McCready held various positions of increasing leadership and management responsibility at Bankers Trust Company and Bank of America.

Mr. McCready served for six years in the United States Navy and holds a Bachelor of Science degree from the U.S. Naval Academy and an MBA from George Washington University.

Mr. McCready was born in 1956.

## **Item 3: Disciplinary Information**

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There are no legal or disciplinary events material to a client's, prospective client's or investor's evaluation of Mr. McCready.

## **Item 4: Other Business Activities**

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Mr. McCready is not actively engaged in any other business or occupation that provides a substantial source of his income or involves a substantial amount of his time.

## **Item 5: Additional Compensation**

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No one who is not a client provides an economic benefit to Mr. McCready for providing advisory services to NewStar's clients.

## **Item 6: Supervision**

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The members of NewStar's Investment Committee, who include members of senior management such as the Chief Executive Officer, the Chief Investment Officer, Mr. McCready, the Treasurer and the Co-Heads of Leveraged Finance Origination, review and approve all purchases of securities for client account recommended by Mr. McCready or any other employee. Neither Mr. McCready nor any other person has authority to purchase assets for clients without approval of the investment committee. In addition, NewStar's investment professionals review client holdings on an ongoing basis.

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## *Form ADV, Part 2B: Brochure Supplement E*

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### **John J. Frishkopf**

500 Boylston Street, Suite 1250  
Boston, MA 02116  
P 617.848.2500  
F 617.848.4300

### **NewStar Financial, Inc.**

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This brochure supplement provides information about John J. Frishkopf that supplements the NewStar Financial, Inc. ("*NewStar*") brochure, which is publicly available on the website of the United States Securities and Exchange Commission. Please contact NewStar at (617) 848-2500 if you do not have access to NewStar's brochure or if you have any questions about the contents of this supplement.

**March 27, 2013**

## **Item 2: Educational Background and Business Experience**

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John Frishkopf serves as a Managing Director of NewStar, Treasurer and Head of Asset Management. He also serves as a member of the firm's Management, Investment and Underwriting Committees. Mr. Frishkopf joined NewStar in 2004.

Prior to joining NewStar, Mr. Frishkopf was a Managing Director of Milford Associates, LLC, a turnaround and corporate restructuring advisory firm, which he founded in 1999. The firm has worked in the United States and in Europe providing financial and operational turnaround and restructuring advice to middle-market companies as well as workout advice to lenders in a range of industries. In 1999, he was appointed Executive Vice President and Chief Financial Officer of VSZ, a.s. Kosice (the Slovak Steel Company) where he played a key role in its successful restructuring. In 1992, he co-founded Benson Oak & Company, an investment banking boutique operating in the Czech and Slovak Republics. Prior to Benson Oak, from 1987 to 1992 he was a vice president at Citicorp's North American Investment Banking and International Corporate Finance Division where he spent five years working in capital markets, originating, structuring and placing loan and private placement transactions. Mr. Frishkopf completed the Citicorp North American Investment Banking training program.

Mr. Frishkopf holds a B.S. from the Massachusetts Institute of Technology and an M.M.S. from the MIT Sloan School of Management.

Mr. Frishkopf was born in 1963.

## **Item 3: Disciplinary Information**

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There are no legal or disciplinary events material to a client's, prospective client's or investor's evaluation of Mr. Frishkopf.

## **Item 4: Other Business Activities**

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Mr. Frishkopf is not actively engaged in any other business or occupation that provides a substantial source of his income or involves a substantial amount of his time.

## **Item 5: Additional Compensation**

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No one who is not a client provides an economic benefit to Mr. Frishkopf for providing advisory services to NewStar's clients.

## **Item 6: Supervision**

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The members of NewStar's Investment Committee, who include members of senior management such as the Chief Executive Officer, the Chief Investment Officer, Mr. Frishkopf, the Chief Credit Officer and the Co-Heads of Leveraged Finance Origination, review and approve all purchases of securities for client account recommended by Mr. Frishkopf or any other employee. Neither Mr. Frishkopf nor any other person has authority to purchase assets for clients without approval of the investment committee. In addition, NewStar's investment professionals review client holdings on an ongoing basis.



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## *Form ADV, Part 2B: Brochure Supplement F*

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### **Mark R. du Four**

500 Boylston Street, Suite 1250  
Boston, MA 02116  
P 617.848.2500  
F 617.848.4300

### **NewStar Financial, Inc.**

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This brochure supplement provides information about Mark R. Du Four that supplements the NewStar Financial, Inc. ("*NewStar*") brochure, which is publicly available on the website of the United States Securities and Exchange Commission. Please contact NewStar at (617) 848-2500 if you do not have access to NewStar's brochure or if you have any questions about the contents of this supplement.

**March 27, 2013**

## **Item 2: Educational Background and Business Experience**

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Mark du Four serves as Head of Capital Markets. Mr. du Four joined NewStar in 2004.

Mr. du Four joined NewStar from Fleet Securities, Inc., where from 2000 to 2004 he was a Managing Director in Fleet's Loan Sales and Trading Group. In that role, he was responsible for the syndication execution of Media and Energy transactions and also covered institutional accounts in the primary and secondary markets. Before joining Fleet Securities, from 1998 to 2000, Mr. du Four was a Director in BMO Nesbitt Burns' Global Distribution group where he was responsible for the syndication of media, energy and food and agribusiness transactions. Prior to BMO Nesbitt Burns, from 1996 to 1998 Mr. du Four was a Vice President in Chase Securities' Global Syndicated Finance Group. In that role, he was responsible for structuring and syndicating transactions primarily in the energy sector. Before joining Global Syndicated Finance, from 1993 to 1996 he was a Corporate Finance Associate with Chase's Global Oil and Group and completed Chase's Corporate Finance Training Program. Previously, Mr. du Four was a CPA for Coopers and Lybrand in Boston.

He received an M.B.A. from the University of Texas at Austin and a B.S. from Virginia Tech.

Mr. du Four was born in 1964.

## **Item 3: Disciplinary Information**

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There are no legal or disciplinary events material to a client's, prospective client's or investor's evaluation of Mr. du Four.

## **Item 4: Other Business Activities**

---

Mr. du Four is not actively engaged in any other business or occupation that provides a substantial source of his income or involves a substantial amount of his time.

## **Item 5: Additional Compensation**

---

No one who is not a client provides an economic benefit to Mr. du Four for providing advisory services to NewStar's clients.

## **Item 6: Supervision**

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The members of NewStar's Investment Committee, who include members of senior management such as the Chief Executive Officer, the Chief Investment Officer, Treasurer, the Chief Credit Officer and the Co-Heads of Leveraged Finance Origination, review and approve all purchases of securities for client account recommended by Mr. du Four or any other employee. Neither Mr. du Four nor any other person has authority to purchase assets for clients without approval of the investment committee. In addition, NewStar's investment professionals review client holdings on an ongoing basis.

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## *Form ADV, Part 2B: Brochure Supplement H*

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### **Robert E. Hornstein**

500 Boylston Street, Suite 1250  
Boston, MA 02116  
P 617.848.2500  
F 617.848.4300

### **NewStar Financial, Inc.**

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This brochure supplement provides information about Robert E. Hornstein that supplements the NewStar Financial, Inc. ("*NewStar*") brochure, which is publicly available on the website of the United States Securities and Exchange Commission. Please contact NewStar at (617) 848-2500 if you do not have access to NewStar's brochure or if you have any questions about the contents of this supplement.

**March 27, 2013**

## **Item 2: Educational Background and Business Experience**

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Robert E. Hornstein joined NewStar in early 2005 from Bank of America, where from April 2004 to December 2004 he was a Principal responsible for middle market bank and second lien financings. Prior to Bank of America, Mr. Hornstein spent six years at Fleet Securities, Inc., as a Director, focused predominantly on originating and executing second lien financings, mezzanine financings, and high yield bonds and bridge loans for the bank's middle market, healthcare, gaming and lodging clients. Prior to joining Fleet in 1998, Mr. Hornstein was a Vice President at Citicorp in their High Yield Group focusing on healthcare and bridge loan financings. In addition, he also worked in both their Corporate and Real Estate Restructuring Groups. He joined Citicorp in 1992 and completed the bank's credit training program.

Mr. Hornstein holds an M.B.A. from Columbia University as well as a B.S. in Mechanical Engineering from Case Western Reserve University.

Mr. Hornstein was born in 1962.

## **Item 3: Disciplinary Information**

---

There are no legal or disciplinary events material to a client's, prospective client's or investor's evaluation of Mr. Hornstein.

## **Item 4: Other Business Activities**

---

Mr. Hornstein is not actively engaged in any other business or occupation that provides a substantial source of his income or involves a substantial amount of his time.

## **Item 5: Additional Compensation**

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No one who is not a client provides an economic benefit to Mr. Hornstein for providing advisory services to NewStar's clients.

## **Item 6: Supervision**

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The members of NewStar's Investment Committee, who include members of senior management such as the Chief Executive Officer, the Chief Investment Officer, Treasurer, the Chief Credit Officer and the Co-Heads of Leveraged Finance Origination, review and approve all purchases of securities for client account recommended by Mr. Hornstein or any other employee. Neither Mr. Hornstein nor any other person has authority to purchase assets for clients without approval of the investment committee. In addition, NewStar's investment professionals review client holdings on an ongoing basis.

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## *Form ADV, Part 2B: Brochure Supplement I*

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### **David R. Dobies**

500 Boylston Street, Suite 1250  
Boston, MA 02116  
P 617.848.2500  
F 617.848.4300

### **NewStar Financial, Inc.**

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This brochure supplement provides information about David R. Dobies that supplements the NewStar Financial, Inc. ("*NewStar*") brochure, which is publicly available on the website of the United States Securities and Exchange Commission. Please contact NewStar at (617) 848-2500 if you do not have access to NewStar's brochure or if you have any questions about the contents of this supplement.

**March 27, 2013**

## **Item 2: Educational Background and Business Experience**

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David R. Dobies serves as a Managing Director of NewStar and Co-Head of Leveraged Finance Origination. He also serves as a member of the firm's Management Committee.

Mr. Dobies joined NewStar from Fleet Securities, Inc. where from 1995 to 2004 he was a Managing Director and Head of the Media, Entertainment and Sports Finance syndication businesses. As Head of the Media Syndication business, he provided strategic counsel to clients, senior management and a 35 member industry coverage team regarding transaction structure, capital market solutions, due diligence, credit analysis, rating agency strategy and multi-product capital markets support. Prior to joining Fleet, Mr. Dobies worked in a new business development role at The Bank of New York and The Bank of Nova Scotia. Over his 24 year career, he has developed numerous relationships within the issuer, investor (finance company, commercial bank, and portfolio management), private equity, financial sponsor and rating agency communities.

Mr. Dobies holds a Bachelor of Science in Business Administration from Villanova University and an MBA from The William E. Simon School of Business at the University of Rochester.

Mr. Dobies was born in 1965.

## **Item 3: Disciplinary Information**

---

There are no legal or disciplinary events material to a client's, prospective client's or investor's evaluation of Mr. Dobies.

## **Item 4: Other Business Activities**

---

Mr. Dobies is not actively engaged in any other business or occupation that provides a substantial source of his income or involves a substantial amount of his time.

## **Item 5: Additional Compensation**

---

No one who is not a client provides an economic benefit to Mr. Dobies for providing advisory services to NewStar's clients.

## **Item 6: Supervision**

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The members of NewStar's Investment Committee, who include members of senior management such as the Chief Executive Officer, the Chief Investment Officer, Treasurer, the Chief Credit Officer, the Co-Head of Leveraged Finance Origination and the Mr. Dobies, review and approve all purchases of securities for client account recommended by Mr. Dobies or any other employee. Neither Mr. Dobies nor any other person has authority to purchase assets for clients without approval of the investment committee. In addition, NewStar's investment professionals review client holdings on an ongoing basis.

## Patrick F. McAuliffe

500 Boylston Street, Suite 1250  
Boston, MA 02116  
P 617.848.2500  
F 617.848.4300

## NewStar Financial, Inc.

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This brochure supplement provides information about Patrick F. McAuliffe that supplements the NewStar Financial, Inc. ("*NewStar*") brochure, which is publicly available on the website of the United States Securities and Exchange Commission. Please contact NewStar at (617) 848-2500 if you do not have access to NewStar's brochure or if you have any questions about the contents of this supplement.

**March 27, 2013**

## **Item 2: Educational Background and Business Experience**

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Patrick F. McAuliffe serves as a Managing Director of NewStar and Co-Head of Leveraged Finance Origination. He also serves as a member of the firm's Management Committee.

Mr. McAuliffe joined NewStar from Bank of America where from 2004 to 2005 he was Regional Executive in Bank of America's Metro New York Region, a \$2 billion portfolio consisting of 1,500 Middle Market customers throughout the tri-state area. Prior to the merger of FleetBoston Financial and Bank of America, in Mr. McAuliffe's 20-year career at FleetBoston he recently served as President of Fleet's Metro New York Region from 2003 to 2004; Executive Credit Officer for Fleet's Middle Market business from 2002 to 2003; and was Group Executive for several national specialized lending groups including Oil & Gas, Transportation, Auto, Specialty Finance, Sports Finance, Utilities, and Environmental Services from 1999 to 2002.

Mr. McAuliffe holds a Bachelor of Science degree in Accounting from Manhattan College.

Mr. McAuliffe was born in [1957].

## **Item 3: Disciplinary Information**

---

There are no legal or disciplinary events material to a client's, prospective client's or investor's evaluation of Mr. McAuliffe.

## **Item 4: Other Business Activities**

---

Mr. McAuliffe is not actively engaged in any other business or occupation that provides a substantial source of his income or involves a substantial amount of his time.

## **Item 5: Additional Compensation**

---

No one who is not a client provides an economic benefit to Mr. McAuliffe for providing advisory services to NewStar's clients.

## **Item 6: Supervision**

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The members of NewStar's Investment Committee, who include members of senior management such as the Chief Executive Officer, the Chief Investment Officer, Treasurer, the Chief Credit Officer, the Co-Head of Leveraged Finance Origination, and Mr. McAuliffe, review and approve all purchases of securities for client account recommended by Mr. McAuliffe or any other employee. Neither Mr. McAuliffe nor any other person has authority to purchase assets for clients without approval of the investment committee. In addition, NewStar's investment professionals review client holdings on an ongoing basis.