

LBC Credit Management, L.P.

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Brochure date: March 30, 2015

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 Michelle Vaughn at mvaughn@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

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization, which are included herein.

The following is a discussion of only material changes since our brochure filing dated March 28, 2014:

- Updated Item 3 - General Information about LBC Credit Management, L.P. to reflect the adviser’s regulatory assets under management as of December 31, 2014; and
- Updated Item 10 - Other Financial Industry Activities and Affiliations section to update the firm’s shared services.

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

LBC Credit Management, L.P., (“LBC”) is an alternative fixed income manager focused on originating and managing privately negotiated secured debt securities primarily in North American middle market companies.

The LBC investment team consists of over 25 professionals with extensive experience in structuring, underwriting, and managing middle market loans. LBC provides investment services exclusively to a series of closed-end funds that are privately offered pooled investment vehicles (each a “Fund” and, collectively, the “Funds”). Each Fund is open for investment via a “private offering,” and is intended for investment by “accredited investors” and “qualified clients” as those terms are defined under the Securities Act of 1933 and Investment Advisers Act of 1940, respectively.

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 (private placement memorandum), partnership agreements, management and advisory agreements, and any other applicable agreements (collectively, the “Governing Documents”). LBC utilizes a similar strategy for all of its Funds and tailors its advisory services to the specific needs of each Fund as described in the Fund’s Governing Documents.

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 also conducts its business under the name LBC Credit Partners, Inc., a Pennsylvania S-Corporation.

LBC is organized as a privately-held limited partnership co-founded by John Brignola, Christopher Calabrese, Nathaniel Cohen and Ira M. Lubert (“Founders”) in 2005. The general partner of partnership is LBC Credit Management GP, LLC, a limited liability company owned by the Founders who are also (either directly or indirectly) limited partners of LBC.

As of December 31, 2014, LBC’s regulatory assets under management were approximately \$1,640,941,387 and are managed on a discretionary basis.

Item 5. Fees and Compensation

Management Fee - Each LBC Fund pays an annual management fee (the “Management Fee”). Management Fees will typically commence on the date that a Fund has held its initial closing or a specific number of days prior to the Fund’s first investment, thereafter, will be paid on the first day of each calendar quarter, in advance. Until the expiration of the commitment period, Management Fees are a percentage of aggregate investor capital commitments. Thereafter, the Management Fee is generally equal to percentage of the aggregate original and additional cost of each of the portfolio investments held, minus any permanent and recoverable write downs, until such investment has been repaid in full, sold or liquidated for cash. Specifically for LBC Fund III, the basis on which the Management Fee is calculated after the commitment period has ended is the lower of (i) the aggregate original and additional cost of each of the portfolio investments minus any

permanent write downs until such investment has been repaid in full, sold or liquidated for cash or (ii) the aggregate fair market value of the Fund's portfolio investments. Management Fees typically range from 1.25% to 1.75%, but may be negotiated lower for certain investors based on the size of the investor's commitment to the Fund. Additionally, the Management Fees are reduced by all transaction fees (if any) received by LBC or its respective affiliates in connection with the Fund's portfolio investments.

Carried Interest - In addition, the LBC Funds allocate a portion of their investment profits (generally 18% - 20%) to their respective Fund's general partners which are related persons with respect to LBC, as set forth in each of the Fund's Governing Documents (such profit allocation is commonly referred to as a "Carried Interest"). The foregoing performance-based Carried Interest is generally subject to the achievement of a specified cumulative annual return, compounded annually (8% or 9%) on the amount of the investor's unreturned capital contributions, as of the date of determination ("Preferred Return"). Carried Interest, when applicable, is paid upon the distribution of proceeds generated by the dispositions of each Fund's portfolio investments pursuant to a priority distribution waterfall after the return of invested capital and the payment of the Preferred Return. LBC Funds' Carried Interest is charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, (as amended, the Advisers Act).

Other Fees Received – Any administrative fees, servicing fees, supervisory fees, acquisition fees, transaction fees, and other similar fees (if any) earned by the Funds will be paid directly to the Funds.

Certain investors in the Funds, who are generally related persons, employees, partners of LBC, friends and family or affiliated firms may not be subject to a Management Fee and/or Carried Interest allocation in connection with their investment in the Funds. Notwithstanding the foregoing, such Fund 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.

LBC's compensation is deducted from the assets or distributions of each Fund as fully described in each of the Fund's Governing Documents. Fund investors are not separately billed for advisory services.

Other Types of Fund Expenses – Generally, the LBC Funds will pay all offering and organizational expenses incurred in the formation of a Fund and any related entities, including but not limited to legal, travel, filing, accounting and printing, up to a certain maximum limit noted in the Fund's Governing Documents. Each Fund may pay or reimburse LBC where applicable, for any ordinary and extraordinary expenses relating to these organizational activities. Expenses chargeable to a Fund shall be allocated to such Fund and any applicable parallel funds as determined in good faith by LBC.

The LBC Funds will typically pay all expenses related to the Funds' investment activities, whether or not the related investments are consummated, including all costs related to: (1) the investigation, sourcing, financing, origination and acquisition of investments, whether or not consummated including travel, entertainment, attendance or participation in industry conferences and events, brokerage or commission costs, finder fees, investment banking fees or similar charges, indemnification expenses, marketing and advertising costs; (2) research software, tools or subscriptions, attendance and participation at industry conferences or events, financing costs or debt service on borrowed money, underwriting and consulting services; (3) holding and exiting investments, risk management, custody services, loan administration, legal and litigation matters, valuation costs, tax, appraisals, insurance and travel; and (4) fund-level leverage including interest, brokerage or commission costs, legal, regulatory or registration filings, insurance, loan administration, software and banking fees.

Further, the LBC Funds will generally pay all expenses related to investor activities and certain administrative or portfolio investment matters which may be carried out by third-parties and/or internally by LBC employees (which will be charged at cost). These services may include legal, fund administration; auditing, tax and accounting fees; insurance; litigation expenses; consultants' fees; investor reporting and accounting, asset management, loan and administration software; treasury management, report preparation fees, including internal costs of preparing reports and internal and third-party printing and copying costs; costs associated with investors' meetings and mailings and committee meetings; and other operating expenses. Some of the above expenses are reimbursed directly by the Fund's underlying portfolio investments. The Funds may also earn certain fees as income (e.g., agency fees, administration and servicing fees) that may indirectly offset some of the above expenses.

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 Fees and reimburse the Fund the portion of the Management Fees covering the remainder of the period.

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.

For a more detailed description of specific Management Fees, Carried Interest and Fund expenses please see the Fund's Governing Documents.

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

As described in Item 5, LBC may be paid Carried Interest and certain of its employees 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 any individual transaction. The existence of this Carried Interest program 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.

Each of the LBC Funds generally has similar compensation structures which include a Management Fee and Carried Interest. LBC's compliance policies and procedures and code of ethics prohibit the favoring of one Fund over another or considering LBC's financial interest when providing investment advice to the Funds. Additionally, Fund Governing Documents will typically limit the ability of LBC's Founders to launch another pooled investment vehicle with the same primary investment objective until a substantial portion of the existing Fund has been invested, committed, expended or reserved or until that Fund's investment period has expired.

Item 7. Types of Clients.

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

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

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.

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 generally between \$50 million and \$750 million and EBITDA of \$5 million to \$50 million.

LBC 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 both senior and junior capital allows LBC 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 or unsecured mezzanine loans and to a lesser degree corporate leases, small loan pools, debtor-in-possession (“DIP”) loans, broadly syndicated corporate loans and bonds. LBC may also make equity co-investments and acquire other equity instruments, including but not limited to, common and 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 the Funds will generally be unrated and not actively traded in any secondary market.

There can be no assurance 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.

Based upon LBC’s current investment strategy, below is a list of material investment risks. Each of these material investment risks and others will be further described in the applicable Fund’s Governing Documents:

- Risk of Loss - Investing in private debt and equity securities involves risk of loss that investors must be prepared to bear. All prospective Fund Investors should carefully read the Fund’s Governing Documents before considering any investment.
- 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.
- Market Volatility - Volatile market conditions at various times, including 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.
- 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.

- 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 or reorganization. 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.
- 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.
- Nature of Investments - Investment in a Fund requires a long-term commitment with no certainty of return.
- 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.
- Diversification Limits - The Funds have limited constraints with respect to geographic regions, sectors or product types. Lack of diversification across the portfolio may increase a Fund's exposure to adverse market conditions in a given region, sector or product type.
- 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.
- Unable to Identify Attractive Investments - No assurance can be given that LBC 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.

- 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.
- 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.
- 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.
- 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.
- Hedging - In connection with the financing of certain assets, a LBC 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.
- Legislative or Regulatory Developments - No assurance can be given that currently anticipated income tax treatment will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment to the Fund Investors.
- Conflicts of Interest - Fund investments are subject to various conflicts of interest, including those between co-investors in specific investments, between various investors in a Fund, and between LBC and a Fund. These specific conflicts will be fully discussed in each Fund's Governing Documents.

Item 9. Disciplinary Information

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

Item 10. Other Financial Industry Activities and Affiliations

LBC has financial relationships and general services arrangements that are material to its advisory business with the following related entities:

LBC has a general services agreement with Independence Capital Partners, LLC ("ICP") to provide certain non-investment services such as compliance, tax support, information technology and insurance. ICP also provides similar services to other related investment advisory firms which include: LLR Management, L.P.; Patriot Financial Manager, L.P.; Quaker Partners Management, L.P.(an exempt filer); LEM Capital, L.P.; and Lubert-Adler Management Company, L.P. (collectively, known as the "ICP Affiliate Firms").

Mr. Lubert has ownership interests in ICP, all of the ICP Affiliate Firms and other investment partnerships and operating businesses. Each ICP Affiliate Firm is separately managed by its partners and investment professionals and offers advisory services only to their sponsored funds.

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 Fund 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 debt and equity investments. These affiliates currently engage in and will continue to engage in venture capital, private equity and real estate investment (including mezzanine debt) activities. In particular, Messrs. Lubert is a partner in each of the ICP Affiliate Firms but LBC does not believe that there will be any significant overlap of investment opportunities between any of the Funds currently managed by the ICP Affiliate firms because the investment strategies of these funds are not the same.

The ICP Affiliate Firms and the Funds they manage may share coverage under certain insurance policies, such as general partner liability insurance and crime insurance. The cost of such shared policies will be allocated as reasonably determined by the ICP Affiliate Firms, taking into account such factors as the ICP Affiliate Firms may reasonably determine, including, without limitation, the estimated relative costs of standalone policies for the ICP Affiliated Firms, the relative capital called or estimated to be called for each Fund, and the relative claims experience of the ICP Affiliated Firms.

Co-investment Opportunities between the Funds and ICP Affiliate Firms – LBC Fund III is specifically prevented from making investments with other ICP Affiliate Firms or their funds. If LBC determines in their reasonable discretion

that it may be advantageous to co-invest in an opportunity with one or more other ICP Affiliate Firms funds, they will seek the approval from the applicable Fund's Advisory Committee in accordance with the Fund's Governing Documents.

Co-investment Opportunities between LBC Funds - Investment opportunities that are appropriate for one LBC Fund may also be appropriate for a parallel Fund or a Successor Fund. LBC will make the allocation of investment opportunities among its Funds as determined by the Fund's investment objectives and limitations as noted in each of the Fund's Governing Documents. For LBC Fund I and Fund II, LBC may need 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. LBC Fund III is prohibited from making co-investments with any other LBC Fund. If LBC determines that it may be advantageous to co-invest in an opportunity with another LBC Fund, they will seek the required approval from the applicable Fund's Advisory Committees in accordance with each Fund's Governing Documents.

Side Letters - LBC and/or the Funds may from time to time enter into other written agreements or side letters with one or more investors whereby, in consideration for agreeing to invest certain amounts in a Fund and other consideration deemed material to a Fund, such investors may be granted rights not otherwise afforded to other investors. These side letters may entitle an investor to make an investment in a Fund on terms other than those described in the Funds' Governing Documents. Any such terms, including with respect to (i) reporting obligations; (ii) transfer rights to affiliates; (iii) withdrawal rights due to adverse tax or regulatory events; (iv) consent rights to certain partnership agreement amendments; or (v) any other matters described in the Fund's Governing Documents. Such agreements may have the effect of establishing rights under, or altering or supplementing the terms of, the partnership agreement with respect to such investor.

Outside Business Activities – LBC Founders and other senior members of LBC may serve on board of directors of nonaffiliated companies or organizations that do not directly or indirect compete with LBC or its Funds. These activities are subject to LBC's compliance policies, procedures and oversight.

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

LBC has adopted a written Code of Ethics (the "Code") that is applicable to all of its partners, officers, and employees ("Access Persons") and is designed to comply with Rule 204A-1 of the Advisers Act. LBC's Code is based upon the premise that LBC and its Access Persons have a fiduciary responsibility to render professional, continuous and unbiased investment advice to the LBC Funds and put the interests of its Funds first. The Code requires all Access Persons to (i) comply with all applicable laws and regulations; (ii) observe all fiduciary duties and put Fund interests ahead of those of LBC; (iii) observe LBC's personal trading policies so as to avoid "front-running" and other conflicts of interests between LBC and its Funds; (iv) report any perceived violations of the Code; and (v) 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.

The Code governs the securities trading and investment activities of all Access Persons for their own personal accounts. All Access Persons must first seek pre-clearance for personal trades in covered securities, as defined in the Code. Access Persons must also seek preapproval when participating in a private placement transactions or participating in initial public offerings (“IPOs”). A pre-clearance request will be denied if such securities or an issuer is (i) under consideration for investment by a LBC Fund; (ii) is held by a LBC Fund; (iii) LBC or its affiliates are in receipt of material non-public information regarding the issuer; or (iv) another potential conflict has been determined.

Under the Code, Access Persons are also required to file certain periodic reports and certifications with LBC’s Chief Compliance Officer. A copy of the Code is distributed to each Access Person at the time of hire and annually thereafter. Access Persons are required to attend annual Code of Ethics training and certify that they are in compliance with the Code. Access Persons who violate the Code can be subject to sanctions, including possible employment termination. A copy of the Code is available upon request from LBC’s Chief Compliance Officer, Michelle Vaughn at mvaughn@lbccredit.com.

Founders of LBC, employees, related persons and others may invest in the Funds, either through a general partner affiliate or as direct investors in the Funds. LBC, as applicable, may reduce all or a portion of the Management fee and/or Carried Interest related to investment held by such persons.

For more information regarding how LBC allocates investment opportunities to its Funds or how co-investments with LBC and related parties are addressed, please see Item 10.

Item 12. Brokerage Practices

LBC does not maintain or operate a traditional securities trading desk to engage in the execution of publicly-traded securities. 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. The Fund’s Governing Documents generally grant LBC discretion over the selection and amount of securities or investments to be bought or sold for that Fund.

The LBC Funds generally invest in privately negotiated transactions where the terms of such transactions are determined in negotiations between LBC and the borrowers. LBC seeks to have all its privately negotiated transactions executed in the best interest of its participating Funds, taking into account various factors such as the cost, size, competency, market activity and structure. If LBC were to trade in publicly-traded securities, the firm will take reasonable steps to ensure that broker or dealer utilized is reliable and that the terms and circumstances of each transaction are the best available on the relevant market at the time of execution for transactions of the same size and nature. In addition, LBC will perform post trade reviews of publicly-traded securities transactions.

LBC does not participate in or accept any soft dollar benefits or have any commission

sharing arrangements or directed brokerage programs.

For more information regarding how LBC aggregates investment opportunities to its Funds or how co-investments with LBC and any related parties are addressed, please see Item 10.

Item 13. Review of Accounts

Review and Monitoring of Funds - LBC monitors each Fund's 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. LBC's 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

Additionally, 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 write-downs, are reviewed by the senior members and the finance team on a quarterly basis pursuant to LBC's valuation policy in accordance with FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*.

Reports to Investors - 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) other such 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

LBC does not receive any compensation or economic benefit (i.e., sales awards or prizes) from a third party person or entity for advisory services other than from the Funds and their investors.

From time to time, LBC may enter into solicitation or consulting arrangements pursuant to which LBC will compensate persons for investor referrals. Presently, LBC has one consulting agreement in place for investor referrals. With respect to investors that are referred by the consultant, a consulting fee will be paid by LBC and not any Fund, as agreed upon by the terms of the consulting agreement.

Whenever a consulting fee is paid to a solicitor or consultant, the solicitation or consulting agreement requires that the solicitor or consultant disclose the consulting fee to each prospective investor. The purpose of the fee disclosure is to bring to each prospective client's attention that the solicitor or consultant can have an incentive to favor sales of interest in one kind of investment over the sales of interests in other types of investments.

Item 15. Custody

LBC complies with the Advisers Act custody rules in the following manner, each LBC Fund: (i) is subject to audit by a registered independent accountant at least annually, (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all investors within 120 days of the end of its fiscal year, and (iii) upon liquidation will distribute its audited financial statements prepared in accordance with generally accepted accounting principles to all investors promptly after the completion of any such audit. Certificated securities, as required by applicable law, will be placed in custody with a third party qualified custodian.

Item 16. Investment Discretion

Investment advice is provided solely to the Funds, subject to the direction and control of LBC, and not individually to the investors in the Funds. Investment restrictions or limitations for the Funds, if any, will generally be established in each of the Fund's Governing Documents.

Item 17. Voting Client Securities

LBC's investment strategy and portfolio composition generally does not include investments in publicly traded securities with any such voting rights, such as common stock. However, to the extent that any LBC Fund would hold such voting securities, LBC will have the sole authority to direct the voting of such securities. When voting securities, LBC will vote proxies on a case-by-case basis in a manner that is determined to be in the best interest of each particular Fund by the firm's Founders. LBC will consider relevant facts, which may include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity, and customary industry and business practices. Upon request, LBC will provide a Fund investor with information regarding how the applicable Fund's proxies were voted and a copy of the proxy voting process.

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 Funds.

