

## **Item 1. Cover Page**

### **LBC Credit Management, L.P.**

2929 Arch Street,  
Cira Centre, Ste. 1550  
Philadelphia, PA 19104-7340  
(215) 972-8900\_  
[www.lbccredit.com](http://www.lbccredit.com)

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**This brochure provides information about the qualifications and business practices of LBC Credit Management, L.P. If you have any questions about the contents of this brochure, please contact Michelle Vaughn at [mvaughn@lbccredit.com](mailto: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](http://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 30, 2015:

- Updated Item 10 – Other Financial Industry Activities and Affiliations section to present the firm’s Fund offering, newly formed relying adviser, and other outside business activities.

### Item 3. Table of Contents

Item 1. Cover Page .....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents .....	3
Item 4. General Information about LBC Credit Management, L.P. ....	4
Item 5. Fees and Compensation .....	4
Item 6. Performance-Based Fees and Side-By-Side Management .....	6
Item 7. Types of Clients.....	6
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9. Disciplinary Information .....	10
Item 10. Other Financial Industry Activities and Affiliations .....	10
Item 11. Code of Ethics, Personal Trading, and Client Transactions .....	12
Item 12. Brokerage Practices .....	13
Item 13. Review of Accounts .....	13
Item 14. Client Referrals and Other Compensation.....	14
Item 15. Custody.....	14
Item 16. Investment Discretion.....	14
Item 17. Voting Client Securities.....	14
Item 18. Financial Information .....	15

#### **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 to 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 provided to Fund investors (collectively, the “Governing Documents”). Generally, 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 or as otherwise disclosed in Item 10 herein, certain entities controlled by LBC or its principals, including Arch Street Management, L.P. (a relying adviser), through which LBC may provide investment management services or other such 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 was organized in 2005 and is a privately-held limited partnership co-founded by John Brignola, Christopher Calabrese, Nathaniel Cohen and Ira M. Lubert (“Founders”). The general partner of the 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 Funds’ regulatory assets under management (inclusive of any relying advisers) were approximately \$1,640,941,387 and are managed on a discretionary basis.

#### **Item 5. Fees and Compensation**

Management Fee - Each Fund pays an annual management fee (“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, Management Fees will generally be paid on the first day of each calendar quarter, in advance. Until the expiration of the respective Fund’s commitment period, Management Fees are calculated as a percentage of aggregate investor capital commitments. Thereafter, depending on the Fund, the Management Fee is equal to either (a) a 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 or (b) 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, Management Fees are reduced by all transaction fees (if any) received by LBC or its respective affiliates in connection with the Fund’s investments.

Carried Interest - Each Fund allocates a portion of its investment profits, (generally 18% to 20%) to their respective Fund’s affiliated general partner (such performance based profit allocation is commonly referred to as a “Carried Interest”). The Carried Interest is generally subject to the achievement of a specified cumulative annual return, compounded annually (7% - 9%) on the amount of the investor’s

unreturned capital contributions, as of the date of determination (“Preferred Return”). Carried Interest is generally paid upon the distribution of proceeds generated by the dispositions of the respective Fund’s portfolio investments pursuant to a priority distribution waterfall after the return of invested capital and the payment of the Preferred Return or as required for tax distributions. 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 are paid directly to the Funds.

Certain investors in the Funds, who are generally related persons, employees, partners of LBC, friends and family of affiliated firms may not be subject to or receive a reduced Management Fee and/or Carried Interest allocation in connection with their investment in the Funds. Notwithstanding the foregoing, such investors will either directly pay their pro rata share of 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 Fund distributions 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 Funds will pay or reimburse LBC for all offering and organizational expenses incurred in the formation of a Fund and its 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. Expenses chargeable to a Fund shall be allocated to such Fund and any applicable parallel funds as determined in good faith by LBC.

The Funds will typically pay all expenses related to its investment activities, whether or not the associated 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, and marketing and advertising costs; (2) research software, subscriptions and other research tools, 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 and fees, brokerage or commission costs, legal, regulatory or registration filings, insurance, loan administration, software and banking fees.

Furthermore, the 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 respective 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 from LBC, 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. 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.

The Funds generally have similar compensation structures which include both 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, the Fund's 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: 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, capital structure and historical and projected financial performance focusing on sales, margins, cash flow, liquidity and capital expenditures.

LBC may also have discussions with key customers, suppliers and competitors and engage independent third parties and/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, industry research, system reviews, operational reviews, assets appraisals, business valuations, environmental audits, background checks, management assessments and other analyses as deemed appropriate.

Investment Strategies - LBC employs a disciplined investment strategy by originating and managing a diversified portfolio of high-yielding loans to middle- market companies generally with revenues between \$50 million and \$750 million and EBITDA of \$5 million to \$50 million.

Arch Street Management, L.P. ("Arch Street"), an affiliated relying adviser, is currently seeking to become a Fund manager in the Small Business Investment Company Program under the U.S. Small Business Administration ("SBIC") and will generally utilize LBC's investment strategy to originate and manage a portfolio of high-yielding loans to lower middle market companies, defined as companies typically with

revenues of \$10-\$75 million and EBITDA between 1.5-\$5 million.

LBC seeks 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. A Fund's ability to offer both senior and junior capital allows LBC to expand its base of deal flow, counter the effect of business cyclicality, minimize the effects of adverse risk selection and provide portfolio diversification.

The principal asset classes in which LBC invests include corporate debt, generally consisting of senior and junior loans to middle-market borrowers through direct origination and club participations: primarily cash flow, 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 strategies, below is a list of material investment risks. Each these material investment risks and others are or 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 and all investments risk the loss of capital. 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 and involves considerable judgment. 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 and domestic and global macro-economic events, 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 economies. They also could result in a continuation of the current economic uncertainty in the worldwide financial markets and economies.

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 (which includes the enterprise value) 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 their security 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 borrower. This creates the risk that the holder of a junior lien will receive unfavorable treatment with respect to distributions and its rights to collateral in a bankruptcy.



Unsecured Debt Instruments - The Funds may invest in loans not collateralized by a lien on specific assets of the borrower and present a higher risk to lenders. In the event of bankruptcy of the borrower, the unsecured creditors typically will have a general claim on the assets of the borrower after the specific pledged assets have been assigned to the secured creditors. Unsecured creditors run the risk of little or no recovery in a 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 whereby the company may have insufficient earnings or 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. Lenders to the Funds will have a priority interest on all or specific assets of the Funds, which also may include uncalled investor capital commitments. Unpaid principal, interest and fees to the respective Fund's lenders will have a priority over distributions to Fund investors under certain circumstances. 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. Certain Funds will have additional restrictions on the types of investments in which they may invest (i.e., defined as "small businesses"). 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. Certain Funds may require additional regulatory consents for such transfers. 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 (including the enterprise value of the borrower) 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.

Investments in Equity Securities - The LBC Funds may invest in securities that include preferred or common stocks, warrants, or similar equity securities. These equity investments may be purchased directly by the Funds or received in complete or partial exchange of a debt investment that was restructured through a reorganization, bankruptcy or otherwise. Any investments in equity securities will be subject to normal market risks, including limited liquidity and price volatility. While diversification among issuers may mitigate these risks, the Funds are not required to diversify their investments in equity securities, and investors must expect fluctuations in the value of equity securities based on market conditions. In addition, the value of equity securities may be substantially reduced or extinguished in a bankruptcy proceeding or other corporate restructuring.

LBC generally makes minority equity co-investments which typically carry minimal voting rights and little to no control.

Private Investments - Private investments may be subject to legal or other restrictions on transfer, and there may be no liquid market for such investments. This means that LBC may be unable to sell them when desired or to realize their previously anticipated fair value when sold. The sale of illiquid assets often requires more time and results in higher selling expenses than does the sale of more liquid assets. Calculating the fair market value of private investments can be difficult. While both public and private investments may be affected by LBC's acquisition of confidential or material, nonpublic information, private investments create a heightened risk that LBC may acquire such information and may be restricted from initiating transactions in certain securities or selling certain investments at a time when an investment-related action would otherwise have been taken.

Hedging - In connection with the financing of certain assets, 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.

Limitations on Distributions - Funds subject to SBIC regulations, may have certain regulatory restrictions on distributions.

Debentures - Certain Funds may enter into unsecured loans with third parties, including the SBIC debenture program, where unpaid principal and accrued interest will have priority over payment of amounts to the Fund Investors.

Regulatory Licenses - SBIC Funds may require regulatory licenses and there is no assurance that such

regulatory agency will grant such a license. Additionally, obtaining such licenses does not guarantee that a Fund will receive any SBIC Debenture funding.

Regulatory Risks - Each Fund relies on various exemptions from Federal and state statutes and rules and various regulations that might require LBC to alter its business activities ( such as ERISA, the Investment Company Act of 1940 and the Securities Act of 1933 ) to operate under such statutes and rules. Loss of any such exemption, or a change in these statutes and rules or certain others, such as the Advisers Act, anti- money laundering rules, and the U.S. Internal Revenue Code, could impact a Fund's ability to continue to operate as it currently does.

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 of the 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**

Independence Capital Partners, LLC ("ICP") - LBC has a financial relationship and general services agreement with ICP to provide certain non-investment services such as compliance, tax support and information technology. 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"). The sharing of the cost of these services is reasonably determined by the ICP Affiliate Firms, generally on a break-even basis.

Mr. Lubert has ownership interests in ICP and all of the ICP Affiliate Firms. 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.

LBC may share coverage under certain insurance policies, such as general partner liability insurance and crime insurance with ICP Affiliate Firms and the funds they manage. The cost of such shared policies will be allocated as reasonably determined by such ICP Affiliate Firms

LBC Credit Partners III, L.P. ("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.

LBC Credit Partners, IV, L.P ("LBC IV") - LBC is in the process of launching a new successor Fund and LBC IV's Governing Documents are currently being drafted. The information provided in this brochure

generally addresses the proposed compensation structure, fees, investment strategy, and material risks of LBC IV, with the following exception regarding the Fund's Management Fees: (i) during and after the expiration of the Fund's commitment period, LBC IV's Management Fees will be calculated as a percentage of the sum of the lower of (i) the aggregate cost of the Fund's portfolio investments or (ii) the aggregate fair market value of the Fund's portfolio investments.

Arch Street - Messrs. Brignola, Calabrese and Cohen intend to hold a majority interest, provide general oversight and participate as investment committee members of Arch Street, an affiliated relying adviser seeking to become a fund manager in the Small Business Investment Company Program ("SBIC"). Arch Street will focus on originating and managing a portfolio of high-yielding loans and equity co-investments to lower middle market companies generally defined as companies with revenues of \$10-\$75 million and EBITDA of \$1.5 up to \$5 million.

Arch Street's Governing Documents are currently being drafted. The information provided in this brochure generally addresses the proposed compensation structure, fees, investment strategy, and material risks of the proposed Arch Street Fund with the following exceptions: (a) Fund Management Fees will be 2%, however may be negotiated lower for certain investors based on the size of the investor's commitment to the Fund; (b) until the expiration of the Fund's commitment period, the Management Fees will be calculated as a percentage of the sum of (i) aggregate investor capital commitments, plus an assumed two tiers of SBIC leverage. Thereafter, the Management Fee will be calculated as a percentage of the aggregate cost of the Fund's portfolio investment (less any permanent adjustments to value).

Pursuant to a services agreement, Arch Street intends to leverage LBC's existing internal origination and back-office administrative platforms. LBC intends to provide Arch Street with origination opportunities for corporate borrowers with EBITDA below \$5 million and Arch Street intends to provide LBC with origination opportunities for corporate borrowers with EBITDA in excess of \$5 million. The LBC Funds will not co-invest in any opportunity with any Arch Street Fund. Arch Street Employees will be classified as "Access Persons" under LBC's Code of Ethics as described in Item 11 and will be subject to the firm's compliance program.

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 and the Arch Street Funds are 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 Funds' Advisory Committee(s) in accordance with each Fund's Governing Documents.

Co-investment Opportunities - LBC may offer certain institutional investors as defined by the Fund's Governing Documents, an opportunity to co-invest in Fund's portfolio investment on the same terms as those offered to a Fund but has no obligation to offer such opportunities. These co-investment opportunities will be allocated pro rata based on the commitments of the Fund's institutional investors.

Loan Syndications - LBC may syndicate Fund investment opportunities by selling loan participations to strategic third party investors which may include Fund investors. With these syndications, such investors are expected to fully participate, manage and control their portion of the loan as a participating lender. Any fees (such as agency or placement fees) earned in connection with these syndications will be paid to the Fund.

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. These differing terms may address: (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 - Messrs. Brignola, Calabrese and Cohen each may have limited business interests separate and apart from their respective interests in LBC, including non-controlling and voting interests in operating companies and directorships of private companies and non-profit organizations, which have been subject to LBC's Code of Ethics pre-clearance requirements. In the future, Messrs. Brignola, Calabrese and Cohen may pursue additional investment and board opportunities.

Ira Lubert has a number of business interests separate and apart from his interests in LBC and ICP and its Affiliated Firms, including: controlling, voting and non-voting debt and equity interests in numerous privately held real estate investments and operating companies, which include among others gaming establishments and a hotel management company. Mr. Lubert also serves, or has served, on the board of directors of a number of private and public companies and non-profit organizations. In the future, Mr. Lubert intends to pursue additional investment and board opportunities. These outside business interests limit the time Mr. Lubert can devote to any one activity, including the LBC Fund's.

New outside business interests are subject to LBC's pre clearance requirements. If a Founder or Employee becomes aware of a material conflict of interest, involving him/her or his or her role with respect to an LBC Fund, he or she will (i) inform the Chief Compliance Officer; (ii) mitigate the conflict, where possible; and (iii) where required by the terms of the Governing Documents of the applicable Fund, provide disclosure to or approval by the such Fund's advisory board.

#### **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 its 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 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](mailto:mvaughn@lbccredit.com).

New outside business activities by an Access Person are subject to LBC's pre clearance requirements as described above. If an Access Person becomes aware of a material conflict of interest involving himself or herself with respect to an LBC Fund, he or she will inform the Chief Compliance Officer and, where possible, mitigate the conflict, and, where required by the terms of the Governing Documents of the applicable Fund, provide disclosure to or approval by the Fund's advisory board.

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 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 a traditional securities trading desk or regularly engage in the trading 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 Funds generally invest in privately negotiated transactions where the terms of such transactions are determined in negotiations between LBC and the counterparty. 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, market activity, structure of the transaction and competency of the broker-dealer. If LBC were to trade in publicly-traded securities, the firm will take reasonable steps to ensure that the 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 has adopted an investment allocation policy that governs the allocation of investment opportunities across its Funds. It is LBC's policy to allocate investment opportunities (i) on a fair and equitable basis; (ii) consistent with all Fund disclosures, representations and contractual obligations and restrictions; and (iii) consistent with the firm's allocation policy. Each investment opportunity originated by LBC will be evaluated and allocated to a Fund based upon the Fund's open commitment or investment period, investment strategy, and the opportunity's underlying economics as it relates to the disclosures made in the Fund's Governing Documents. Fund performance, management or incentive fees, or the performance return hurdle will never be a factor in allocation decisions.

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 generally 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. 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 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 its relying advisers, 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.