



Item 1. Cover Page

**LBC Credit Management, L.P.
and its Relying Advisers**

555 East Lancaster Ave.
Suite 450
Radnor, Pennsylvania 19087
(215) 972-8900
www.lbccredit.com

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This brochure provides information about the qualifications and business practices of LBC Credit Management, L.P. and its Relying Advisers. 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 Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization, which are included herein.

With the first investor closing of LBC Credit Partners V, L.P. and the dissolution of LBC Credit Partners I, L.P. and LBC Credit Partners II, L.P, we have made several material updates throughout this Form ADV filing since our last filing on March 27, 2019. These updates are noted below:

- Item 5 - Fees and Compensation to address the fee structure and expenses of LBC Credit Partners V, L.P.;
- Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss to enhance our disclosures regarding material risks;
- Item 10 - Other Financial Industry Activities and Affiliations to further describe our co-investment offering process and related party transactions; and
- Item 12 – Brokerage Practices to describe our allocation processes as a result of the new fund offering.

We encourage you to carefully read this document in its entirety.



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.....	5
Item 6. Performance-Based Fees and Side-By-Side Management	9
Item 7. Types of Clients.....	9
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9. Disciplinary Information	18
Item 10. Other Financial Industry Activities and Affiliations	18
Item 11. Code of Ethics, Personal Trading, and Client Transactions	22
Item 12. Brokerage Practices	23
Item 13. Review of Accounts	25
Item 14. Client Referrals and Other Compensation.....	25
Item 15. Custody.....	26
Item 16. Investment Discretion.....	26
Item 17. Voting Client Securities.....	26
Item 18. Financial Information	26



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

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

The LBC investment team consists of over 40 professionals with extensive experience in structuring, underwriting, and managing middle market loans. LBC provides investment services to privately offered pooled investment vehicles for multiple or singular institutional investor(s), all such vehicles, related parallel funds and alternative investment vehicles (each a “Fund” and, collectively known as, the “Funds”). None of the Funds have been registered under the Securities Act of 1933, as amended, the Investment Company Act of 1940, as amended, or the securities laws of any state or other jurisdiction. Each Fund conducts 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 seeking to maximize current returns while preserving investor capital by providing a certain level of returns, net of fees and expenses, as described in detail in each Fund’s private placement memorandum, supplements, 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 Funds and tailors its advisory services to the specific needs of each Fund as described in the Fund’s Governing Documents. As investment advice is provided directly to the respective Funds and not individually to investors. Any investment restrictions are imposed in the Governing Documents for the Funds. These terms may limit LBC’s ability to invest in certain securities or geographies, sectors, concentration limits or leverage, among others. LBC and the Funds have entered (and will in the future enter) into agreements, or “side letters,” with investors, whereby such investors may be subject to terms and conditions that vary from, and may be more favorable than, those applicable to other investors. Any such terms and conditions may include, but are not limited to, (i) reporting obligations, (ii) transfers to affiliates, (iii) investment restrictions, (iv) consent rights to certain Governing Document amendments, or (v) representation on a Fund’s limited partner advisory committee (or equivalent thereof).

Co-investment, feeder and parallel single investor vehicles will be established from time to time to participate alongside the relevant Fund in certain investment opportunities, in accordance with any applicable restrictions in the relevant Funds’ Governing Documents. The allocation procedures for new investment, co-investments and syndications are further discussed in Items 8 and 10.

The investment advice LBC provides to clients is limited to the investment programs conducted by its Funds. References herein to LBC includes, unless the context requires or as disclosed in Item 10 herein, certain entities controlled by LBC or its principals, and relying advisers through which LBC will provide investment management services or other such entities that provide sub-advisory services on behalf of LBC. LBC will also conduct its business under the name LBC Credit Partners, Inc., a Pennsylvania S-Corporation, LBC Chicago Management, LLC, an Illinois limited liability company and LBC Small Cap Management, L.P., a Delaware limited partnership, all of which are affiliated relying advisers of LBC.

LBC was co-founded in 2005 by John Brignola, Christopher Calabrese, Nathaniel Cohen and Ira M. Lubert (“Co-Founders”). LBC is a privately-held limited partnership controlled and managed by Messrs. Brignola and Cohen (“Managing Partners”).

As of December 31, 2018, LBC Funds’ regulatory assets under management (inclusive of any relying advisers) were approximately \$2,619,564,401 and are managed on a discretionary basis.

Item 5. Fees and Compensation

LBC is generally compensated for advisory services through asset-based management fees and receives performance-based compensation. The calculation of fees payable by investors is complex, and investors are advised to carefully review the terms set forth in the Governing Documents of the applicable Fund. LBC may reduce or waive the fees and expenses described below with respect to certain investors. LBC and its Funds have permitted, and will in the future permit, certain business associates, employees, partners and other “friends and family” of LBC to invest directly or indirectly in the Funds on terms which will be more favorable than those offered to other investors, including with respect to the payment of management fees and/or carried interest. Such related 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.

Management Fee – Each Fund pays an annual management fee (“Management Fee”) in accordance with its Governing Documents, typically paid by capital contributions from investors or from cash proceeds otherwise distributable to investors. 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. Management Fees will be calculated as a percentage up to 1.75% unless noted below and may be negotiated for certain investors based on the size of the investor’s commitment to the respective Fund. With respect to LBC Credit Partners III, L.P. (“Fund III”) and each related parallel fund, the Management Fees are calculated as a percentage of aggregate investor capital commitments until the expiration or termination of the respective Fund’s commitment period, and thereafter, the Management Fee is equal to either (a) a percentage of the aggregate original and additional cost of each of the portfolio investments held (including any leverage used for the purpose of, or related to making such investments), minus any permanent and unrecoverable 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 and unrecoverable write downs until such investment has been repaid in full, sold or liquidated for cash or (ii) the aggregate fair market value of the portfolio investments held on the calculation date (as reflected on the Fund’s quarterly financial statement as of the calculation date). With respect to LBC Credit Partners IV, L.P. (“Fund IV”), LBC-P Credit Fund, L.P. and LBC-A Credit Fund, L.P., the Management Fee will be calculated based upon the lower of (a) the aggregate original and additional cost of the portfolio securities then held on the calculation date (including any leverage used for the purposes of, or related to making such investments) and (b) the aggregate fair market value of the Fund’s portfolio investments held on the calculation date, provided, however, that during the first quarter in which an investment in a portfolio security is made, the cost of such portfolio security (including any original issue discount thereon) will be used for purposes of the Management Fee calculation for such quarter regardless of whether such cost is higher or lower than its fair market value. For LBC Credit Partners V, L.P. (“Fund V”), the Management Fee will be calculated based upon invested capital. Investor capital will mean the sum of (i) the initial cost of the investment (including any leverage used for the purposes of, or related to making such investments) that have not be disposed of, reduced by any amortization or partial repayments of principal prior to disposition of the investment; (ii) any fees and expenses capitalized into the cost of, and any original issue discount or other market discount related to, such investments; and (iii) the unfunded commitments remaining with respect to such investments, reduced by any net write-downs due to a permanent impairment in value of the investments as adjusted for any write-up, not to exceed the aggregate initial cost of the investment. For the LBC Small Cap SBIC, L.P. (“LBC Small Cap Fund”), the Management Fee will be 2% and will equal (i) during the period beginning on licensure through the end of the investment period, an annual rate based upon the sum of the Small Cap Fund’s unreduced regulatory capital (as defined by the Small Business Administration (“SBA”)) and assumed Small Business Investment Company (“SBIC”) leverage (i.e., 2x total commitments) and (ii) after the investment period, an annual rate of the cost (including outstanding SBIC leverage) of its then active portfolio investments (reduced by permanent and unrecoverable write-downs), subject to the maximum amount permitted under SBIC

regulations.

As permitted under the Governing Documents, LBC may elect to defer its receipt of a portion of the Management Fees in favor of future distributions of such deferred amounts.

Carried Interest – Each Fund allocates a portion of its distributable proceeds, (generally 15% to 20% but may be negotiated for certain investors based on the size of the investor’s commitment to the respective Fund) to the Fund’s affiliated general partner (such performance-based profit allocation is commonly referred to as “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 will be paid as noted in the Fund’s specific Governing Document, generally 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 or in excess of a disclosed threshold rate 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 transaction fees, directors’ fees, supervisory fees, acquisition and loan fees, and break-up, topping and other similar fees (if any) earned by the Funds are paid directly to the Funds or as an offset to the Fund’s Management Fee.

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 the formation of feeders, legal, travel (including meals and lodging), filing fees, costs of attending third-party conferences to meet with prospective investors, accounting and printing, up to a certain maximum limit specifically noted in the Fund’s Governing Documents. Expenses chargeable to a Fund will be allocated to such Fund and any applicable parallel funds as determined in good faith by LBC unless such expenses solely benefit a specific parallel fund in which case they will be allocated fully to that fund.

The Funds will typically pay all ordinary and extraordinary expenses related to their investment activities, whether or not the associated investments are consummated, including all costs related to: (1) the investigation, sourcing, identification, evaluation, monitoring, settling, originating, financing, purchasing, syndicating, hedging, structuring including any fund subsidiaries, and valuing the investments, whether or not consummated (to the extent not reimbursed by a portfolio company) including travel and out-of-pocket travel related expenses (including meals and lodging provided that such expenses do not exceed any specific limitations noted in a Fund’s Governing Documents) and entertainment; (2) brokerage or commission costs, finder fees, investment banking fees or similar charges, and the cost of unconsummated investments including broken deal expenses that may have been allocated to unconsummated co-investments; (3) costs and expenses associated with financial, market research, analysis and underwriting (including the cost of hosting, licensing, maintaining and enhancing software for subscriptions, service bureaus, third-party consulting and other research tools); (4) the cost of attending, sponsoring or participating in industry organizations and similar events, including reasonable travel and out-of-pocket travel related expenses (including meals and lodging) and dues and fees associated with memberships in any industry organization; (5) marketing and advertising costs; (6) financing costs including subscription lines of credit or debt service on borrowed money, including interest and fees, underwriting and consulting services; (7) holding and exiting investments, risk management, custody services, annual audits, valuation costs, tax, appraisals, insurance and travel; (8) fund-level leverage, including interest and fees, brokerage or commission costs, legal, regulatory or registration filings, insurance, loan administration, agency services, software and banking fees; (9) third party legal counsel, tax preparers and advisors, auditors, accountants, administrators, custodians, depositories, paying agents, representatives, loan servicers, directors, trustees, consultants and experts, compliance providers, software and information technology providers, valuation agents and other outside advisors or service providers; filing, title, transfer,

registration and other similar fees and expenses; (10) legal and regulatory compliance for any filings or reports contemplated by Alternative Investment Fund Managers Directive (the “AIFMD”) or similar laws, rules and regulations or other governmental or jurisdictional rules and requirements) costs and expenses related to the Fund’s compliance with applicable law, rule or regulation associated with the activities of the Fund or the activities of the LBC in respect of the Fund (including (i) all costs and expenses arising pursuant to or related to compliance with AIFMD or any similar laws, rules, regulations or other governmental or jurisdictional rules and requirements or (ii) seeking to ensure that the management of the Fund is not subject to the provisions of AIFMD or any similar laws, rules, regulations or other governmental or jurisdictional rules and requirements); (11) software applications relating to any such activities including, but not limited to, marketing, fund administration, acquisitions, asset management, loan administration, agent services, portfolio administration and management, investor relations and reporting, and accounting software (including hosting, licensing, maintenance and enhancements of systems or software); (12) litigation and threatened litigation and proceedings relating to the business or activities of the Fund, including any judgment, other award or settlement entered into in connection therewith; indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying any investor or other investor pursuant to the limited partnership agreement and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Funds’ Governing Documents); any taxes, fees, governmental charges, fines, penalties or other similar charges levied, assessed or imposed on or against the Fund or its subsidiaries, the LBC or the general partner (excluding taxes on net income payable by LBC in respect of the Management Fee and excluding any taxes that are actually reimbursed by an investor or deemed to be distributed to an investor pursuant to the Fund’s Governing Documents); (13) directors and officers liability insurance, errors and omissions liability insurance, cybersecurity and crime insurance, general partnership liability premiums and other insurance expenses, including insurance to protect the Fund, the general partner, LBC, the respective officers, directors, employees, partners, managers and members of the foregoing, investors, and members of the Fund advisory committee and the investors they represent in connection with the activities of the Fund; (14) Management Fee; agency services fees; administrative costs; litigation and threatened litigation and proceedings relating to the business or activities of the Fund, including any judgment, other award or settlement entered into in connection therewith; indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying any investor or other person pursuant to the Governing Documents and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Fund’s Governing Documents); (15) any taxes, fees, governmental charges, fines, penalties or other similar charges levied, assessed or imposed on or against the Fund or its subsidiaries, LBC or the general partner (excluding taxes on net income payable by the LBC in respect of the Management Fee and excluding any taxes that are actually reimbursed by an investor or deemed to be distributed to an investor pursuant to the Fund’s Governing Document); (16) the costs of any activities with respect to protecting the confidential or non-public nature of any Fund information or data; extraordinary expenses of the Fund, including fees and expenses associated with any tax or other audit, investigation, settlement or review of the Fund amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, parallel funds, the general partner and related entities and any alternative investment vehicle, including the preparation, distribution and implementation thereof (provided that such changes or amendments are not primarily for the benefit of the general partner or LBC); (16) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by an investor; (17) costs and expenses associated with hosting investor’s meetings (whether individual or fund-level advisory committee meetings), including costs and expenses of representatives of LBC and advisory committee members attending or otherwise participating in meetings of the advisory committee as well as costs and expenses of independent legal counsel, accountants or other third-party consultants as reasonably necessary to assist the advisory committee in connection with its activities; and (18) the internal costs of preparing, printing or copying reports (such as financial statements, investor reports, capital statements, side letter elections, capital call notices, tax returns, tax estimates, Schedule K-1s or any other administrative, compliance or regulatory filing) for investors and the advisory committee.



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 will include accounting, fund administration, loan administration, agency and custody, treasury and credit facility management, tax services and reporting, investor relations and reporting, and syndications of existing or prospective investments. The Funds will also pay the internal costs of preparing reports and internal and third-party printing and copying costs, costs associated with investors' meetings and mailings and meetings with investors (whether individual or fund-level meetings), and other operating expenses. Without any corresponding reduction to the Management Fee, LBC will charge the Fund or any borrower for (i) the cost of LBC employees, its affiliates or Independence Capital Partners, LLC, all of which may provide services (including accounting, fund administration, loan administration, agency and custody, treasury and credit facility management, tax services and reporting, investor relations and reporting, and syndications of existing or prospective investments) to the Fund. These such costs will be calculated based on the percentage of time an individual devotes to the business affairs of the Fund, and an amount equal to such individual employee's salary, bonus, taxes and benefits) to the Fund.

In accordance with SBIC restrictions, certain Fund expenses listed above will not be borne by the Small Cap Fund, please see the Fund's specific Governing Documents for more detailed information.

Where applicable, the Funds will seek reimbursement directly from the underlying portfolio investments and may charge agency fees, administration and servicing fees to these portfolio investments that will indirectly offset some of the above expenses.

Allocation of Expenses – To the extent that expenses are incurred in relation to an investment, or prospective investment, in which a Fund and multiple LBC Funds are invested or participated in, as applicable, LBC will share in such expenses as determined by LBC. Such expense allocations will generally be pro rata based on the Fund's cost basis (or expected cost basis) of the investment relative to the cost basis (or expected cost basis) of the investment held by each such Fund(s). With respect to expenses other than those incurred in relation to investments or prospective investments, expenses that are common to multiple LBC Funds will be allocated among the Funds during the calendar quarter in which such expenses are incurred on such basis as LBC determines is equitable and appropriate after considering the factors by LBC, in good faith, considers appropriate. The allocation of such shared expenses during a calendar quarter will generally be pro rata based on the aggregate cost of the investments held by each such entity as of the first day of each calendar quarter; provided, that certain expenses related to sourcing investments may be based on available capital at the beginning of such quarter. Generally, once the expense allocation percentage for such quarter has been established, all expenses incurred during such quarter will be made based on those percentages until the next calendar quarter's allocation percentage is established unless otherwise determined by LBC in good faith.

Payment of Fees in Advance– If 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 the Management Fees, Carried Interest and Fund expenses related to a specific Fund, please see the respective Fund's Governing Documents, which qualify in their entirety the information in this Item 5.



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

As described in Item 5, the LBC Funds are subject to Carried Interest fees and certain of its employees may receive such incentive compensation from the Funds. This type of compensation is tied explicitly to the performance of a Fund, not an individual transaction or investment, and such compensation will be earned based upon the performance of the 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 fee.

Managing funds with different performance-based or Management Fee structures, alongside funds with lower fees will create additional conflicts of interest. An investment adviser will then have an incentive to favor the higher based fee funds when allocating investment opportunities. To address these risks, LBC has various compliance policies and procedures in place which prohibit employees from favoring one Fund over another (such as "allocation policies and procedures").

Item 7. Types of Clients

LBC provides investment advice solely to its Funds, which are privately offered pooled investment vehicles (generally limited partnerships). Investors (typically, limited partners) in the Funds include, but are not limited to: state and local pension plans, endowments, corporate and business entities, foundations, trusts, and high net worth individuals that are (i) "accredited investors" and "qualified clients" as those terms are defined under the Securities Act of 1933 and Advisers Act or (ii) "qualified purchasers" or "knowledgeable employees" of LBC as defined in the Investment Company Act of 1940. 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, LBC 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 will use various underwriting techniques, 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 will 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 primarily originating and managing a diversified portfolio of high-yielding secured loans to middle-market companies, generally, with revenues less than \$750 million, and an EBITDA of \$5 million to \$50 million for its sponsored middle market series of Funds.

LBC Small Cap Management, L.P., an affiliated relying adviser of LBC, is a licensed Fund manager in the SBIC Program under the U.S. Small Business Administration, and will generally utilize LBC's investment strategy to originate and manage a portfolio of high-yielding loans and equity co-invests to lower middle market companies, defined as companies typically with revenues of \$10 million to \$75 million and EBITDA of \$2 million to \$5 million, and is subject to SBIC guidelines and restrictions.



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 cyclicalities, 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 will 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.

Material Risks

An investment in the Funds may be deemed speculative and is not intended as a complete investment program. There can be no assurance that the use of any strategy for any Fund will achieve any 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 above is a summary of various material risks associated with the investment strategies and methods of analysis generally employed by the Funds. This summary does not attempt to describe all of the risks associated with an investment in an LBC Fund, and there can be no assurance that other risks and conflicts of interest will not arise. It is critical that investors refer to the Governing Documents of the applicable Fund for a more complete description of the risks associated with an investment.

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.

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 implies it will generate positive returns or avoid losses for its investors over the long term.

Economic and Market Conditions. The state of the private debt industry, generally, and the success of LBC Funds' investment activities, specifically, will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and U.S. and global political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by LBC. Conditions such as financial market volatility, illiquidity and/or decline, a generally unstable economic environment (including as a result of a slowdown in economic growth and/or changes in interest rates or foreign exchange rates) and/or a deterioration in the capital markets may negatively impact the availability of attractive investment opportunities for a Fund, the Fund's performance and/or valuation of a Fund's investments, and/or the Fund's ability to dispose of investments. In addition, the public market comparable earnings multiples that are frequently used to value privately held portfolio companies and investors' risk-free rate of return may be impacted. Such conditions could result in substantial or total losses to a Fund in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a

portfolio company's capital structure.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic change or unrest. A rapid or significant erosion of confidence may result in a deterioration of credit markets and/or lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and generally will increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections.

Nature of Investments - Investment in a Fund requires a long-term commitment with no certainty of return. The Funds may invest in businesses that have experienced and may continue to experience severe financial difficulties. In general, the secondary trading market for the loans in which the Funds participate is not developed, which will make it difficult to value them. Illiquidity and adverse market conditions may mean the Funds will not be able to sell certain portfolio investments quickly or at a fair price. Poor performance by a few of the investments could severely affect the total returns to investors in a Fund.

Protection of Collateral – LBC intends to invest primarily in privately negotiated, secured middle market corporate loans and debt securities possessing a security interest on all or a portion of assets of the borrower/issuer. The lien position of the security interests may be senior or junior. If the borrower/issuer defaults on its obligations to the senior lender and/or the Fund and the senior lender and/or Fund forecloses on collateral in which both the senior lender and/or Fund have a security interest, LBC will need to take actions to protect the Fund's loan or investment, including its security interest in its collateral. These actions may occur either within or after the commitment period and could include: buying all or a portion of the loans from the senior lender; making additional loans to, or investments in, the issuer or borrower; providing advances to third parties; and/or restructuring its investment. If the Fund is unable to take these actions or take them quickly enough, the value of the Fund's investments may deteriorate materially, and the Fund may lose a substantial portion or all of its recovery value with respect to those investments.

First Lien, Second Lien and Secured Mezzanine Debt Instruments - Transactions with a first lien on a specific asset will possess greater risks than loans with a first lien on all assets. Second lien and secured mezzanine transactions will result in higher fees and interest rates than senior-secured lending but also involve additional risk over senior secured lending arrangements. Upon execution, a first lien, second lien or secured mezzanine loan will typically 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 will 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. In the event of decline in the value of the collateral, the Funds will be exposed to the risk that the value of the collateral will not equal the amount of the borrower's obligations, putting the Funds at risk of being under-collateralized.

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 a bankruptcy by 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 will invest in companies that are financially leveraged or troubled or potentially troubled 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. In the event any borrower cannot generate adequate cash flow to meet debt servicing, a Fund may suffer a decrease in income or loss of principal, which could adversely affect the returns of such Fund.

Fund Leverage - A Fund's assets generally will 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 will 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.

Credit Facility - The Funds will regularly retain proceeds from its investment activities to pay outstanding credit facility borrowing, including interest costs and fees, and other expenses and liabilities, and subsequently draw on available credit facilities. The Funds also expect to borrow under a credit facility in lieu of calling capital from investors. As a result, the outstanding indebtedness under a credit facility may be significant and such indebtedness may need to be repaid by capital contributions from investments after the commitment period if proceeds are not available to repay such amounts when they become due.

Interest-Rate Risk - The market value of a Fund's investments, not entailing floating interest rate structures, will 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 will increase a Fund's exposure to adverse market conditions in each region, sector or product type.

Middle Market Companies - Investing in middle market companies involves a number of significant risks, including but not limited to: such companies may have limited financial resources and may be unable to meet their obligations under their debt investments; such companies typically have shorter operating histories, narrower product lines, more concentrated customer, supplier and production bases and smaller market shares than larger businesses; such companies generally have less predictable operating results; debt investments in such companies generally may have a significant portion of principal due at the maturity of the investment, which would result in a substantial loss; such companies generally have less publicly available information about their businesses, operations and financial condition; and such companies may have difficulty accessing the capital markets to meet future capital needs.

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 is limited, and LBC may not have access to detailed knowledge of all circumstances that will adversely affect an investment. In addition, LBC will rely on independent consultants in connection with its diligence, and no assurance can be given that these consultants will accurately evaluate such investments.

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 will 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 will 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. Although the Funds will attempt to loan to companies with strong management teams, there can be no assurance that any borrower's management team will be able to operate successfully. Instances of fraud and other deceptive practices committed by the management team of portfolio companies in which the Funds have an investment would undermine LBC's due diligence efforts with respect to such companies. If such fraud is discovered, it could adversely affect the valuation of the Funds' investments and may contribute to overall market volatility that can negatively impact the Funds' investment portfolios.

Prepayment of Investments - While an investment may have a stated maturity, borrowers may prepay their loans prior to such maturity. Early prepayment, particularly by good credits, reduces a Fund's opportunity to make long-term compounded returns. Later prepayment, particularly by weaker credits, can tie up a Fund's capital in investments which may have a greater risk of default. Either way, the shortening or lengthening of the holding period may prevent a Fund from realizing its projected returns

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.

Investment Guarantees and Indemnities - The LBC Funds may be required to enter into guarantees of investment-level obligations, including letters of credit or indemnities related to the investment with third parties. These guarantees and indemnities may provide for joint and several liability between an LBC Fund and a parallel fund (if formed). If they do, it is possible that either the Fund or a parallel fund would be required to pay amounts under these agreements that exceed their respective pro rata share (based on relative amounts invested) of the obligation or even the full amount of the obligation. To address this possibility, if they enter into joint and several guarantees or indemnities, the Fund and a parallel fund will enter into a cross-indemnity agreement between themselves pursuant to which each will indemnify the other to the extent one of them pays more than its pro rata share of any such obligations. However, there still would be a risk that either the Fund or a parallel fund may be ultimately responsible for more

than its pro rata share of any joint and several obligation.

Reinvestment – LBC has the right to reinvest and recall certain capital returned and distributed to investors. Accordingly, an investor may be required to make capital contributions in excess of its commitment and to the extent such recalled or retained amounts are reinvested in portfolio investments, an investor will retain subject to investment and other risks associated with such investments.

Investments in Equity Securities - The LBC Funds will invest in securities including 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 will 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 are 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 will 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 will entail certain other risks. Although such transactions may reduce the Funds' exposure to, among other things, currency fluctuations or decreases in the value of investments, the costs and risks associated with these arrangements will reduce the returns that the Funds would have otherwise achieved if these transactions were not entered into by them. For a variety of reasons, LBC may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Fund from achieving the intended hedge or expose the Fund to risk loss. In addition, although such hedging transactions may hedge economic risks, they may not be effective hedges for tax purposes. The success of a Fund's hedging strategy will depend, in part, upon LBC's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments being hedged. Since the characteristics of many investments change as markets change or time passes, the success of a Fund's hedging strategy will also be subject to LBC's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner.

Covenant-Lite Loans - There will likely be instances in which the investments do not have maintenance financial covenants ("Covenant-Lite Loans") in the related loan documentation. An investment in a Covenant-Lite Loan may potentially hinder the ability to re-price credit risk associated with a portfolio company's performance and reduce the creditors' ability to restructure a non-performing loan and mitigate potential loss. As a result, a Fund's exposure to losses may be increased, which could result in



an adverse impact on a Fund's return to its investors.

Unfunded Loans –Fund investments will be comprised of loan commitments that are unfunded at the time of investment and may take the form of revolving commitments and delayed draw term loans. A loan commitment is a written agreement in which the lender commits itself to make a loan or loans up to a specified amount within a specified time period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded."

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.

Limited Recourse and Indemnification - The Fund's Governing Documents limit the circumstances under which LBC or their affiliates will be held liable to the Funds. As a result, investors will have a more limited right of action in certain cases than they would have in the absence of such limitations. In addition, the partnership agreements provide that the Funds will indemnify LBC, their affiliates, partners and employees for certain claims, losses, damages and expenses arising out of their activities on behalf of the Funds. Such indemnification obligations could materially adversely affect the returns to investors. An indemnification obligation of the Funds would be payable from the assets of the Funds, including unpaid commitments of the investors. Additionally, LBC's insurance coverage may not include enough coverage to address all claims, losses, damages or expenses that might arise. If either the assets or the insurance coverage of the Funds is insufficient, LBC may recall capital previously returned to the Investors.

Investments with Maturity Dates Longer than the Term of a Fund – A Fund may hold investments with maturity dates later than the date on which a Fund is expected to be dissolved. LBC expects that investments will be disposed of prior to dissolution, a Fund may be required to sell, distribute, otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Limitations on Distributions – The Small Cap Fund is subject to SBIC regulation and therefore, will have certain regulatory restrictions on distributions.

Debentures - Certain Funds may enter into unsecured loans with third parties. Furthermore, the Small Cap Fund will utilize 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 require additional regulatory licenses and there is no assurance that LBC Small Cap Management, L.P. will continue to be granted such licenses. Additionally, obtaining these 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. It is anticipated that, in the normal course of business, LBC's Managing Partners or officers will have contact with governmental authorities and/or be subjected to responding to questionnaires or examinations. The Funds will also be subject to regulatory inquiries concerning their positions and trading. Any such regulation, including changes to the tax code, whether in the United States or abroad, could increase the cost of acquiring, holding or divesting portfolio investments, operating and effecting restructurings of portfolio companies and operating the Funds. Regulation could also increase the risk of third-party litigation. 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. Obtaining regulatory approval may be a lengthy and expensive process with an uncertain outcome.

Investment Outside the United States or Canada – The LBC Funds may invest, to a limited extent, in portfolio investments whose administrative headquarters are located outside the United States or Canada, and overseas investments may entail risks not present in U.S. markets. These risks include: the possibilities that foreign markets may not be as developed or efficient as those in the United States; securities of some foreign issuers may be less liquid than those of comparable U.S. issuers; volume and liquidity in most foreign markets are less than in the United States; and at times volatility of price can be greater than in the United States. In addition, applicable regulations may be less stringent or different than in the United States; less information may be publicly available; and non-U.S. issuers may not be subject to accounting and financial reporting standards, practices and requirements comparable to those applicable to U.S. issuers.

LIBOR (and EURIBOR) Reform May Subject a Fund to Certain Risks - To the extent the investments bear interest based on the London interbank offered rate (“LIBOR”) or EURIBOR, Fund V will be subject to certain risks. Over the past several years, LIBOR has experienced historically high volatility and significant fluctuations. Regulators and law-enforcement agencies from a number of governments, including entities in the United States and the United Kingdom, have been conducting civil and criminal investigations into whether the member banks that contribute to the British Bankers’ Association (the “BBA”) in connection with the calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR for their own benefit. There have also been allegations that member banks may have manipulated other inter-bank lending rates. If LIBOR or another inter-bank lending rate is manipulated, it may result in that rate being artificially lower (or higher) than it would otherwise have been and, to the extent an investment is made or acquired that bears interest on such rates, it may not appropriately embed a return that is commensurate with its risk exposure.

Certain Tax Considerations – An investment in an LBC Fund involves complex U.S. federal, state and local income tax considerations which will differ for each investor. Investors should consult with their own advisors prior to an investment in a Fund as to the potential tax consequences that may apply to their particular situation. The Funds may take positions with respect to certain tax issues that depend on legal and other interpretative conclusions. Should any such positions be successfully challenged by the U.S. Internal Revenue Service, an investor might be found to have a different tax liability for that year on its U.S. federal income tax return. LBC may not be able to provide final tax filing information to investor for any given fiscal year until after the initial tax filing deadline for investor tax returns. Accordingly, Fund should plan to obtain extensions on the filing dates for their income tax returns.

Cybersecurity Risks – LBC, the Funds’ service providers, borrowers, other equity owners, portfolio investments, lenders and market participants increasingly depend on complex information technology and communications systems to conduct business functions. LBC has taken steps to evaluate and mitigate cybersecurity risks, but there can be no assurance that such steps and any policies or practices will adequately address or prevent all types of cybersecurity risks. Such systems are subject to several different threats or risks that could adversely affect the Funds and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to our systems. Third parties may also attempt to fraudulently induce employees or investors to disclose sensitive information to gain access to the LBC’s data or that of the Funds’ investors. A successful penetration or circumvention of the security of the LBC’s systems could result in the loss or theft of an investor’s data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause LBC, the Funds or the portfolio investments to incur regulatory penalties, reputational damage,

additional compliance costs or financial loss.

Material, Non-Public Information – By reason of their responsibilities in connection with their other activities, LBC, its affiliates and certain of the senior investment professionals will acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, the Funds may not be able to initiate a transaction that they otherwise might have initiated and may not be able to buy or sell an investment that they otherwise might have bought or sold.

Defaulting Limited Partner - If 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.

Asset Valuations - With certain limited exceptions, valuations of current income and disposition proceeds with respect to a Fund's investments will be determined by LBC in its sole discretion and will be final and conclusive for all investors.

Follow on Investments - Certain portfolio investments may need additional capital. The inability to obtain such follow-on capital may have an adverse effect upon a Fund's investment.

Conflicts of Interest – Portfolio 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. Below is a summary of some of the conflicts of interests related to an investment in the Funds. The LBC Funds or one or more of their respective affiliates, or in which partners, members, equity holders, controlling persons, directors, officers, employees, agents, representatives and advisors of LBC or one or more of its affiliates serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such investments by a Fund and otherwise create conflicts of interest for a Fund. There can be no assurance that such other relationships and resulting restrictions will not adversely affect the Fund's investment activities, including, for example, the timing of a potential investment decision.

Fraud - There can be no assurance that LBC or a Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor its investments on an ongoing basis. In the event of fraud by any portfolio investment or any of its employees or affiliates, a Fund may suffer a partial or total loss of capital loaned to that company.

Allocation of Fees and Expenses for Broken Deals – In respect of allocating fees and expenses incurred in connection with an investment that LBC actively considers but does not consummate, LBC will bill the borrower. However, if the borrower does not pay, the Fund(s) will pay the expenses that occurred during the pursuit of this opportunity. As with LBC's other allocation decisions, LBC's allocations procedures and principles are designed to mitigate the risk that financial incentives improperly influence the allocation of any broken deal fees and expenses.

Conflicts Relating to the Limited Partner Advisory Committee – Certain transactions that would otherwise be prohibited by the Governing Documents, including those that involve potential conflicts of interest between a Fund and other LBC investment vehicles, may be impacted with the approval of the limited



partner advisory committee. Some or all of the members of the limited partner advisory committee may also be on the limited partner advisory committee of such other Fund or Funds with which there is a potential conflict or may represent investors that have an interest in both the applicable Fund and such other Fund or Funds. Such limited partner advisory committee members will not be precluded from participating in discussions with respect to, or from voting on, such transactions that involve potential conflict of interests.

Allocation of Co-Investment Opportunities – LBC intends, where appropriate, to offer investors the opportunity to invest alongside the Funds, or “co-invest,” in an investment that a Fund (or Funds) is making as described below in Item 12. LBC is under no obligation to provide co-investment opportunities to any party, including investors, but may offer co-investment opportunities on a systematic basis to one or more investors or other persons that make sizable investments in and/or commitments to the relevant Fund or, subject to the Governing Documents, may exercise discretion to determine to whom and in what proportion it will offer and award co-investment opportunities subject to certain limitations in the Governing Documents. In some instances, the Funds may offer co-investment opportunities to some investors but not all of them. In addition, allocations of co-investment opportunities to investors (if any) will not necessarily correspond to their pro rata interests in an applicable Fund.

Co-investments and Syndications - A Fund will temporarily warehouse a portion of an investment opportunity to facilitate a co-investment or syndication by one or more Funds or third-party investors. If such investments are not ultimately consummated, the applicable Fund will end up holding a larger portion of such investment than it otherwise expected to hold. When a Fund invests alongside another LBC Fund, the applicable Fund will warehouse all or a disproportionate amount of an expected investment opportunity. The risk of a co-investment or syndication not being consummated will increase in the event an investment decreases in value during the warehousing period, and the applicable Fund will be required to bear the losses in connection with any such investment. To the extent LBC determines to syndicate Fund investment opportunities by selling loan participations to strategic third-party investors or Fund investors as discussed in Item 10, LBC’s ability to control or influence such third parties will be more limited than if the participants were participating through another investment vehicle controlled by LBC.

Item 9. Disciplinary Information

Neither LBC nor any of its management persons (as defined in the Form ADV) 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 with ICP to provide certain non-investment services such as compliance and insurance services. ICP also provides similar services to other related investment advisory firms, which include: LLR Walnut, 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 Firms”). The sharing of the cost of these services is reasonably determined by the ICP Firms, generally on a break-even basis.

Mr. Lubert has ownership interests in ICP and all ICP Firms. In addition, Messrs. Brignola, Calabrese and Cohen have passive, non-voting ownership interests in certain ICP Firms’ sponsored funds. Each ICP Firm is separately managed by its partners and investment professionals and offers advisory services only to their sponsored funds. These other investment advisers currently engage in and will continue to engage in venture capital, private equity and real estate investment (including mezzanine debt) activities. LBC does



not believe that there will be any significant overlap of investment opportunities between any of the Funds currently managed by any of the ICP Firms because the investment strategies of these funds are not the same. LBC does not anticipate that it will have any transactional interaction with the other ICP Firms and their sponsored funds and it will not, in any event, co-invest with or otherwise acquire investments from or sell investments to any ICP Firms' sponsored funds without approval from the respective Fund's advisory committee.

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

LBC Small Cap Management, L.P. – Messrs. Brignola, Calabrese, Cohen and Donald K. Rice hold a majority interest, provide general oversight and participate as investment committee members of LBC Small Cap Management, L.P. LBC Small Cap Management, L.P. 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 million–\$75 million and EBITDAs from \$2 million up to \$5 million, subject to SBIC limitations and restrictions for the LBC Small Cap Fund.

Pursuant to a services agreement, LBC Small Cap Management, L.P. will leverage LBC's existing internal origination and back-office administrative platforms. LBC will provide LBC Small Cap Fund with origination opportunities for corporate borrowers with EBITDAs between \$2 million-\$5 million, subject to SBIC guidelines and restrictions, and they intend to provide LBC with origination opportunities for corporate borrowers with EBITDA more than \$5 million. The LBC Funds will not co-invest in any opportunity with any LBC Small Cap Fund or vice versa. Employees of LBC Small Cap Management 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 Funds – Investment opportunities that are appropriate for one LBC Fund may also be appropriate for another LBC Fund. LBC will make the allocation of investment opportunities among its Funds as determined by the Fund's Governing Documents and in accordance with its allocation policies and procedures.

Both LBC Fund III and the LBC Small Cap Fund are prohibited from making any co-investments with any other LBC Fund or ICP Firm sponsored fund. If LBC determines that it may be advantageous to co-invest in an opportunity with another LBC Fund, in general, they will seek the required approval from the applicable Funds' advisory committee(s).

In accordance with the Funds' Governing Documents, LBC Fund IV, LBC-P Credit Fund, L.P. and LBC-A Credit Fund, L.P. are allocated the same investment opportunities and will invest in the same issuers, but this will change over time. For a detailed discussion regarding LBC's allocation policies and procedures, please see Item 12.

Co-investment Opportunities – LBC may offer certain qualifying investors, as defined by the Fund's Governing Documents, an opportunity to co-invest in a Fund's portfolio investment on the same terms as those offered to a Fund but has no obligation to offer any such opportunities.

Specifically, co-investment opportunities for Fund IV, LBC may unilaterally manage and control all decisions (such as the structuring, negotiation, servicing and exiting) related to these co-investments on behalf of the qualifying investor. LBC will establish minimum and maximum co-investment amounts and procedures for co-investments and will offer any co-investment opportunity to any qualifying investors in its sole discretion. If any qualifying investor does not exercise its right to invest in a co-investment opportunity, LBC is permitted

to syndicate such unexercised co-investment opportunities to any investor or any third party, in its sole discretion, at prices and terms consistent with current market conditions. Qualifying investors will pay their pro rate share of all expenses directly related to the co-investment assets based on the cost of the co-investment assets. Costs and expenses that are not directly related to the co-investment assets, including any costs or expenses associated with initiating a co-investment opportunity that ultimately does not close, will not be borne by the co-investors but rather by the Fund. Neither LBC nor any its affiliates may receive any fees or amounts representing a promoted interest attributable to the co-investment. LBC may also syndicate Fund investment opportunities by selling loan participations to strategic third-party investors, which will include Fund investors. The general partner, in its sole discretion, will determine which persons will be offered the opportunity to join a syndicate. With these syndications, such investors are expected to fully participate, manage and control their portion of the loan as a participating lender. In the case of a Fund investor holding a position in a loan that includes both a co-investment and a loan participation, LBC may manage this position as a co-investment or a syndication depending upon the proportionate amounts. Any fees (such as agency or placement fees) earned in connection with these syndications will be paid to the Fund.

Once Fund V begins to invest, LBC will be permitted to offer Fund V investors and/or other persons (the “Co-Investors”) the opportunity to co-invest with Fund V, as the case may be, in persons in which Fund V invests in such person on substantially on the same terms and conditions as Fund V (including conditions under which Fund V is permitted to dispose of such investment), except for fee income related to administration and servicing the co-investment assets, which only Fund V, as applicable, will receive. LBC and its affiliated entities may unilaterally manage and control all decisions (such as the negotiation, voting, restructuring or exiting) relating to the co-investments on behalf of the participating Co-Investor. No co-investment will be permitted unless and until LBC has determined that Fund V and its parallel Funds have invested in any such person the amount determined by LBC. LBC may establish minimum and maximum co-investment amounts and procedures for co-investment and may offer any co-investment opportunity to any Co-Investor in its sole discretion, it being understood that LBC will have no obligation to offer any co-investment opportunity to any or all Fund V investors. In furtherance of the foregoing, if any co-investment is being offered, LBC intends to offer a priority allocation to such co-investment opportunity to qualifying investors of Fund V. Such co-investment opportunities will initially be offered to qualifying Fund V investors pro rata based on their respective commitments or commitments to an LBC Fund. Any remaining co-investment opportunity may be offered at the discretion of LBC. Co-Investors shall pay their pro rata share of all expenses directly related to the co-investment assets based on the investment in or commitment to any such person by each Co-Investor, Fund V or its parallel funds the total amount invested in or committed to such person. Costs and expenses that are not directly related and specific to the co-investment asset, including any costs and expenses associated with initiating a co-investment opportunity that ultimately does not close, will not be borne by the Co-investors but rather will be borne by Fund V and its parallel funds. Neither LBC nor its affiliates may receive any fees or amounts representing a promoted interest attributable to any co-investment. Additionally, any Fund V limited partners or limited partners or investors in other LBC Fund will not pay any syndication fees in connection with any co-investment. For the avoidance of doubt, if Fund V co-invests in any fund portfolio company with LBC single investor fund or partnership managed by LBC will not be a “Co-Investor” and such investments will not be subject to the Fund V terms noted above in this section.

Outside Business Activities of Key Persons – Messrs. Brignola, Cohen, Homyar Choksi and John Jadach each will 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 the pre-clearance requirements in LBC’s Code of Ethics. In the future, Messrs. Brignola, Cohen, Choksi and Jadach will pursue additional investment and board opportunities.



Mr. Lubert, a Co-Founder, who is not a voting member on any of the LBC Funds' Investment Committees or active in the management of the firm, has several business interests separate and apart from his interests in LBC and ICP and the ICP 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 many 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 will devote to any one activity, including the LBC Funds.

New outside business interests are subject to LBC's pre-clearance requirements. If a Co-Founder, Managing Partner, partner 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 committee.

Related Party Transactions - In the exercise of their discretion consistent with the investment objectives of Fund V, cause Fund V to (i) acquire investments from LBC Fund III or Fund IV, (ii) sell investments to a successor LBC entity and participate in loan financings and/or refinancing of investments held in Fund III or Fund IV where Fund III or Fund IV continue to own portfolio securities in the portfolio company, including equity securities (a "Related Party Transaction"). Related Party Transactions will be presented to the Fund V's advisory committee and will require approval by the advisory committee or by a special committee appointed by the advisory committee. Without approval of the advisory committee, Fund V may (x) participate in a financing or refinancing transaction of an investment held by Fund III or Fund IV where, as a result of the transaction Fund III or Fund IV, as the case may be, completely disposes of its investment via repayment by the portfolio company using all or part of the financed proceeds from the Partnership's investment or (y) acquire loans on the secondary market in which Fund III or Fund IV also owns the same class of loan being acquired provided such loans are either publicly traded portfolio securities or a loan which, as of the date of acquisition, (1) is owned by Fund III or Fund IV and at least three non-affiliated lenders and (2) in which none of Fund III or Fund IV or any of its affiliates are administrative agents and (3) Fund III and/or Fund IV collectively hold less than fifty percent (50%) of the entire outstanding issue after the transaction. Without approval of the advisory committee, an LBC successor entity will be permitted to acquire loans on the secondary market in which Fund V also owns the same class of loan being acquired provided such loans are either publicly traded portfolio securities or a loan which, as of the date of acquisition meets the criteria set forth in (1)-(3) above including Fund V in such criteria. For the avoidance of any doubt, Fund V may acquire investments from, sell investments to, participate in loan financings and/or refinancings of investments with and engage in other transactions with other LBC Funds other than Fund III or Fund IV and such transactions with the other LBC Funds are not deemed to be Related Party Transaction as defined above.

Relying Advisers – LBC provides investment advisory services to, and it and its affiliates serve as sponsors of, the Funds, and will in the future provide investment advice to and/or serve as sponsors of affiliated investment partnerships, limited liability companies and their general partners or managing members, as applicable. The general partners and the managing members are also investment advisers registered in accordance with SEC guidance under the Advisers Act pursuant to LBC Credit Management's registration. These affiliated investment advisers operate as a single advisory business together with LBC Credit Management, are under common control and are subject to LBC Credit Management's Code of Ethics and compliance programs adopted pursuant to the requirements of the Advisers Act.

Service Providers - Certain advisors and service providers (including accountants, administrators, sponsors, brokers, attorneys, consultants, investment or commercial banking firms) will be investors in the LBC Funds.



These relationships may influence LBC in deciding whether to select or recommend such a service provider to perform various services for a Fund or borrower (the cost of which will generally be borne directly or indirectly by a Fund, as applicable). Notwithstanding the foregoing, investment transactions for a Fund that require the use of a service provider will generally be allocated to service providers on the basis of best execution and other considerations, such as the service provider's provision of certain investment-related services that LBC believes benefits a Fund. In certain circumstances, advisors and service providers will charge different rates or have different arrangements for services provided to other ICP Firms and affiliates as compared to services provided to a Fund and its underlying fund investments, which will result in more favorable rates or arrangements than those payable by a Fund.

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 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 their own interests and 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 also describes LBC's duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) LBC's Funds. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, employees of LBC who possess material non-public information must not trade in the securities affected by such information and must not disclose such information to anyone who does not have a legitimate need to know it. Because of possessing material non-public information, LBC will be prohibited from making a purchase or sale on the Funds that it would otherwise make.

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 reportable securities, as defined in the Code. Access Persons must also seek preapproval when participating in initial public offerings ("IPOs") and private placements, including the purchase or sale of any interest in a private company. A pre-clearance request will be denied if such securities, investments or an issuer is under consideration for investment, or has been acquired by an LBC Fund, or if LBC or its affiliates are in receipt of material non-public information of a publicly-traded company or if a conflict of interest exists.

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 who may be contacted at 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 applicable Fund's advisory committee(s).



LBC Co-Founders, Managing Partners, partners, employees, related persons and others will invest in the Funds, either through a general partner affiliate or as direct investors in the Funds. LBC will 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 and addresses co-investments with related parties, please see Items 8 and 12.

It is LBC's policy not to execute any principal or agency cross transactions for the Funds unless LBC deems the transaction to be in the best interest of a particular Fund, the relevant Funds give prior consent in accordance with their Governing Documents, and the transaction complies with the "notice and consent" requirements of Section 206(3) of the Advisers Act. LBC also generally refrains from cross trading between the Funds unless the consent of both Funds is obtained, typically through the limited partner Advisory committees, in accordance with the Governing Documents.

LBC's Co-Founders, Managing Partners, partners, certain employees and business associates, and other senior investment professionals currently invest, and will in the future, invest directly or indirectly in one or more Funds. Such investments generally are not subject to the management or performance-based fees described in Items 5 and 6 above. The fact that LBC and such persons have financial ownership interests in the Funds creates a potential conflict in that it could cause LBC to make different investment decisions than if such parties did not have such financial ownership interests.

To the extent that one or more Funds invest in the same securities of the same issuer, LBC will generally seek to ensure that all participants in such investments participate on comparable terms. This may not be practicable or appropriate in all circumstances, however, and one or more Funds may participate in such investments on different and potentially less favorable terms than other participants if LBC deems such participation as being otherwise in the best interests of the participating Funds, subject to the terms of the applicable Governing Documents. This may have an adverse impact on one of the participating Funds.

In addition, a Fund may lend to a borrower that competes with, is a customer of or a service provider or supplier to another Fund or one of its portfolio investments. This practice may give rise to certain conflicts of interest. First, a Fund or its portfolio investment may take actions for commercial reasons that have adverse consequences for another Fund or its portfolio investment, such as seeking to increase its market share at the expense of a portfolio company (as a competitor), withdrawing business from a portfolio company in favor of a competitor that offers the same product or service at a more competitive price (as a customer), increasing prices in lock-step with other enterprises in the industry (as a supplier) or commencing litigation against a portfolio company (in any capacity). Secondly, a Fund may obtain information while dealing with its portfolio investments that it is prohibited from acting on or disclosing to another Fund or its portfolio investments as a result of confidentiality requirements or applicable law, even though such action or disclosure would be in such other Fund's or portfolio company's interests. In addition, to the extent not restricted by confidentiality requirements, LBC will apply the experience obtained by managing a Fund to benefit other Funds. The Funds are under no obligation to take into account the interests of another Fund when advising their portfolio investments.

Item 12. Brokerage Practices

Selection of Broker-Dealers – 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 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, considering various factors such as the cost, size, market activity, structure of the transaction and competency of the broker-dealer. If LBC retains a broker-dealer or investment bank with respect to a privately negotiated transaction, the costs will be borne by the relevant Funds and/or portfolio investments. In doing so, LBC would consider the capabilities with respect to the type of transaction being contemplated, the commission or fees charged, the reputation of the firm being considered, and responsiveness to requests for information. Thus, LBC generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not necessarily pay the lowest commission or fee for such services. If LBC were to trade in publicly-traded securities, the firm would 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. Additionally, LBC will perform post-trade reviews of publicly-traded securities transactions.

Allocation of Investment Opportunities – LBC’s policy is to allocate investment opportunities among its Funds in a fair and equitable manner, consistent with its fiduciary obligations. LBC does not guarantee any Fund the right to invest in any transaction. Each Fund and its corresponding parallel Fund(s), if applicable, will be considered independent from any other Fund. All investment decisions will be implemented from the perspective of only that Fund.

LBC will evaluate a decision to acquire or dispose a potential investment on behalf of each Fund based the Allocation Factors outlined herein, as applicable.

- Investment objectives and strategy of each Fund;
- Financials of the underlying borrower (i.e., adjusted EBITDA);
- Investment limitations and restrictions as noted in each of the Fund’s Governing Documents;
- Remaining life of each Fund.
- Expected investment holding period or loan maturity date;
- Diversification and concentration by security type or industry sector;
- Amounts of capital commitments of each Fund;
- Origination Capacity which is currently defined as the amount of each individual Fund’s capital available to be invested, inclusive of investable cash, uncalled and callable capital, anticipated cash receipts and available leverage, adjusted for reserves and other anticipated future Fund activity including but not limited to: investment funding obligations, the payment of expenses and other liabilities, and distributions to investors and;
- Size concentration (investment relative to overall fund size – too large or small)

These factors form the basis for the allocation of investment opportunities among eligible Funds.

LBC will implement appropriate allocation policies and procedures to ensure that:

- Funds are treated fairly over time with regards to the acquisition or exiting of investment holdings,
- Investment opportunities are allocated among Funds at arm’s length, subject to such Fund’s Governing Documents;
- Accurate records of allocations are maintained; and
- All known conflicts of interests in its allocation and implementation practices are addressed by disclosing any conflicts as required by law or as required in each Fund’s Governing Documents



Allocation decisions will be documented, prior to the investment closing, on an internal allocation document and such documentation will be maintained in accordance with LBC's Maintenance of Books and Records Policy. 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.

Soft Dollars – LBC does not participate in or accept any soft dollar benefits or have any commission sharing arrangements or directed brokerage programs.

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 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 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, LBC holds an annual investor meeting to review the status of each Fund during the term of the 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 that is not a client for advisory services; however, LBC will on occasion receive transaction fees, directors' fees, supervisory fees, acquisition and loan fees, and break-up, topping and other similar fees (if any) in connection with a Fund's investments. To address this potential conflict, these fees generally are paid to the Fund or will offset the Management Fees as described in Item 5 and as disclosed in the Governing Documents.

LBC has in the past entered into (and will in the future enter into) solicitation, placement or consulting arrangements pursuant to which LBC will compensate third parties for investor referrals. With respect to investors that are referred by a third-party, a placement fee will be paid by LBC and not any Fund, as agreed upon by the terms of the agreement. These types of arrangements are disclosed to affected investors before such investors make an investment in the relevant Fund to inform such investors 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 is deemed to have custody of client assets by virtue of its status as general partner to the Funds. LBC complies with the Advisers Act Rule custody rules in the following manner: each Fund (i) is subject to audit by an independent accountant registered with the Public Company Accounting Oversight Board, 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 to all investors promptly after the completion of such audits. Such audits will include any funds and certificated securities that, as required by applicable law, are placed in custody with a 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. In addition, as noted in Item 4, LBC and the Funds have entered (and will enter in the future) into agreements, or "side letters," with investors whereby such investors will have certain rights, including the right to opt-out of particular investments.

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 Fund by the firm's Managing Partners. LBC will consider relevant factors, which will 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. A copy of the LBCs proxy voting policies, procedures and voting record are available upon request from LBC's CCO, Michelle Vaughn, who may be contacted at mvaughn@lbccredit.com.

Item 18. Financial Information

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