

Providence Equity Capital Markets L.L.C.

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Part 2A of Form ADV: Firm Brochure
March 31, 2017

This brochure provides information about the qualifications and business practices of Providence Equity Capital Markets L.L.C. If you have any questions about the contents of this brochure, please contact us at 212-588-6700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Providence Equity Capital Markets L.L.C. also is available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

This brochure dated March 31, 2017 serves as an update to the Adviser's (as defined in Item 4) brochure dated March 30, 2016. While there have been no material changes to this brochure, we have made certain routine updates, including updating (a) the discussion of expenses in Item 5, (b) the risks associated with an investment in a Fund (as defined in Item 4) in Item 8 and (c) the discussion of conflicts in Item 11.

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Item 4. Advisory Business

For purposes of this brochure, “Adviser” means Providence Equity Capital Markets L.L.C. (“PECM”), a Delaware limited liability company, together (where the context permits) with certain of its affiliates that provide advisory services to and/or receive advisory fees from the Funds (as defined below). These affiliates may or may not be under common control with PECM, but generally possess substantially similar personnel and/or equity owners with PECM. These affiliates are formed for tax, regulatory or other purposes in connection with the organization of the Funds, or serve as general partners of the Funds.

Background

Established in 2008, PECM is a dedicated capital markets platform that focuses on debt-related investments. The members of Providence Equity Partners L.L.C., an affiliate of PECM and a pioneer in a sector-based approach to private equity, formed PECM based on the thesis that deep sector expertise and specialization could be effectively applied to debt investing.

PECM pursues valued-based investments in debt instruments in companies (or their parents) primarily doing business in the media, entertainment, communications, education and information services industries by seeking to purchase attractive assets at compelling prices. In many cases, PECM will act as a catalyst, working with management to effect a major change in a company’s capital structure.

The principal owners of PECM are (i) Thomas Gahan, through BSP Holdco, LLC, and (ii) Jonathan M. Nelson, through Providence Equity L.L.C.

PECM is a registered commodity pool operator (“CPO”) with the Commodity Futures Trading Commission (“CFTC”) and a member of the National Futures Association (“NFA”) with respect to certain clients for which it serves as CPO.

Services

The Adviser provides investment advisory services to investment vehicles, including private funds that are not registered under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). The Adviser currently serves as the investment manager for (1) Providence TMT Special Situations Fund L.P., (2) Providence TMT Debt Opportunity Fund II L.P. (together, the “TMT Funds”), and (3) PECM Strategic Funding L.P. (the “Strategic Fund”, collectively with the TMT Funds, the “Main Funds”).

The Adviser may, from time to time, organize and serve as the general partner (or in an analogous capacity) of certain other Funds which are “feeder” vehicles (each, a “Feeder Fund”) organized to invest exclusively in another Fund, and/or alternative investment vehicles (each, an “Alternative Investment Vehicle”) organized to address, for example, specific tax, legal,

business, accounting or regulatory-related matters that may arise in connection with a transaction or transactions.

Collectively, the Main Funds, Feeder Funds and Alternative Investment Vehicles may be referred to herein, as the context permits, as the “Funds.” Investors in the Funds are generally required to be “qualified purchasers” as defined in the 1940 Act.

The Funds primarily make investments in various debt instruments. In accordance with the Funds’ respective investment objectives, investments are generally made in companies doing business in the media, entertainment, communications, education and information services industries. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. The Adviser serves as the investment adviser or general partner to the Funds in order to provide such services.

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the limited partners of the Funds. Services are provided to the Funds in accordance with an advisory agreement with each of the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally set forth in the organizational documents of the applicable Fund.

As of December 31, 2016, the Adviser manages \$1,425,565,877 of client assets, all of which is managed on a discretionary basis.

Item 5. Fees and Compensation

Management Fees

In respect of the TMT Funds, the Adviser is paid a quarterly management fee payable in arrears. In respect of the Strategic Fund, the Adviser is paid a quarterly management fee payable in advance. Management fees are deducted from the assets of the Main Funds and are generally payable out of current cash flow, disposition proceeds or from drawdowns of the investors’ unfunded capital commitments. Management fees paid by the Main Funds are indirectly borne by investors in such Funds, including any Funds that invest in a Main Fund (such as Feeder Funds). The general partner of each Fund generally is permitted to terminate the advisory agreement upon 60 days’ notice. Upon termination of a relevant advisory agreement, management fees that have been prepaid are returned on a prorated basis.

The precise amount of, and the manner and calculation of, the management fees for each Fund is disclosed in the organizational and offering documents of such Fund. The management fees are negotiated collectively with the investors of each Fund, and are subject to waiver or reduction by the Adviser. For example, the Adviser and certain of its principals and employees or their family members and related vehicles typically invest in the Funds, and management fees assessed on such investments are typically substantially reduced or waived entirely.

As described further in the section entitled “Related Service Fees and Related Other Fees” below, the management fee is reduced or waived in some circumstances in connection with receipt by the Adviser of various fees paid by actual or prospective portfolio companies.

Other Fees and Expenses

Generally, and except as otherwise set forth in the organizational documents of a Fund, the Adviser will ultimately bear all fees and out-of-pocket expenses of any placement agent that solicits investors for the Funds. The Funds will generally bear all legal and other expenses, including the out-of-pocket expenses of the applicable general partner, incurred in the formation of the Funds up to an amount specified in the organizational documents of the applicable Fund. Organizational expenses in excess of any such amount specified are typically borne by the Adviser.

Generally, and except as set forth in the organizational documents of the applicable Fund, a Fund will pay: (i) legal, accounting, custodial, recordkeeping and third-party consulting fees for services rendered to or for the benefit of the Fund (including, but not limited to, all fees, costs and expenses relating to maintaining and producing books and records of the Fund, and any risk management assessment expenses), fees, costs and expenses charged by a Fund’s administrator, custodian and/or prime broker; and reporting and other out-of-pocket costs relating to a Fund’s operations, activities, investments or business; (ii) third party out-of-pocket expenses incurred directly in connection with Fund investments or proposed investments, whether or not consummated, which are not paid or reimbursed by a third party; and (iii) other operating and extraordinary expenses of the Fund, including but not limited to investment expenses such as commissions, research fees and expenses (including research related travel, which may be first class), interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, bank service fees, and any other expenses related to the purchase, sale or transmittal of Fund assets (whether or not the transaction is consummated). Except as provided above or in the organizational documents of the applicable Fund, and to the extent not reimbursed by a third party, the applicable general partner or the Adviser will pay ordinary expenses incurred by them in connection with providing services to the Funds, including salaries for personnel of the Adviser or general partner, rent and other general administrative expenses associated with the maintenance of an office for the Adviser, and, in the case of certain of the Funds, ordinary operating expenses incurred in investigating investment opportunities and monitoring investments.

From time to time, the general partner of a Fund may create certain “special purpose vehicles” or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors (“SPVs”). In the event the general partner creates an SPV, consistent with the organizational documents of the Fund, the SPV, and indirectly, the investors in such SPV, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV.

The Adviser generally utilizes the services of broker-dealers in connection with investments made by a Fund, and any brokerage or other transaction costs are borne by such Fund. For additional information regarding brokerage practices, please see Item 12 below.

In addition, please see Item 6 below for information regarding Carried Interest (as defined below) received by the Adviser with respect to the Main Funds.

Related Service Fees and Related Other Fees

The Adviser performs management, advisory, monitoring, transaction-related services, financial advisory services and other services (“Related Services”) for, and receives fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales or other dispositions and similar transactions with respect to such portfolio companies (“Other Fees”). Such Other Fees will generally, for purposes of calculating any management fee offset, be net of any expenses reasonably incurred by the Adviser or its affiliates in connection with such fees. Although these fees are in addition to management fees paid by the Funds, the Adviser will in certain circumstances reduce management fees in connection with the receipt of these fees. The amount and manner of such reduction is set forth in the advisory agreement and/or organizational documents of the applicable Fund.

The Adviser and its affiliates also engage and retain senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of the Adviser and who, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, such amounts will not be deemed paid to or received by the Adviser and its affiliates and such amounts will not be subject to the sharing arrangements described above. For a discussion of material conflicts of interest created by the receipt of such fees, please see Item 11 below.

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

In respect of each Main Fund, the applicable general partner is also generally entitled to receive a portion of distributions of net Fund profits (the “Carried Interest”), as set forth in the organizational documents of the applicable Fund. The Carried Interest received by such related person conforms with the requirements set forth in Section 205 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Carried Interest paid by the Main Funds is indirectly borne by the investors in such Funds, including any Funds that invest in a Main Fund (such as Feeder Funds).

The precise amount of, and the manner and calculation of, the Carried Interest for each Fund, if any, is disclosed in the organizational and offering documents of each Fund. The Carried Interest provisions are negotiated collectively with the investors of each Fund, and are also subject to waiver or reduction by the general partner. For example, the Adviser and certain of its principals and employees and their family members and related vehicles typically invest in the Funds, and the Carried Interest assessed on such investments are typically substantially reduced or waived entirely.

The payment by some, but not all, Funds of Carried Interest or the payment of Carried Interest at varying rates creates an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying Carried Interest or Funds paying Carried Interest at a higher rate. Generally, this conflict is mitigated for the Funds by the Adviser's allocation procedures. Subject to applicable investment objectives, guidelines and other factors, as discussed in more detail in Item 11 "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," the Adviser and its affiliates generally allocate investment opportunities on a pro-rata basis among eligible Funds and clients based upon the current available capital of such investment vehicle.

Any Alternative Investment Vehicle will generally contain terms and conditions substantially similar to those of the Main Fund with respect to which it is formed and profits and losses of an Alternative Investment Vehicle generally will be aggregated with those of such Main Fund for purposes of determining distributions by the Main Fund and the Alternative Investment Vehicle (except as may be advisable because of legal, regulatory or tax constraints).

Please see Item 11 below for information regarding the allocation of investment opportunities and how conflicts of interest are generally addressed by the Adviser. Please also see Item 12 below regarding trade aggregation.

Item 7. Types of Clients

The Adviser provides investment advisory services to the Funds. Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Investors in the Funds are generally "qualified purchasers" as defined in the 1940 Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, sovereign wealth funds, limited partnerships and limited liability companies.

The Funds do not have a minimum size, but minimum investment commitments are generally established for investors in the Funds. The general partner of each Fund may in its sole discretion permit investments below the minimum amounts set forth in the offering documents of such Fund.

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

Methods of Analysis and Investment Strategies

Comprehensive joint industry and sector reviews, primarily focusing on debt opportunities in small- to mid-sized companies, are completed on an ongoing basis in order to identify potential investment candidates. Moreover, the Adviser's extensive network and relationships with Wall Street and industry professionals are invaluable for sourcing potential opportunities. Once a potential investment is identified, financial modeling is introduced in the early stages of the investment process. For each potential investment, a highly detailed and forward-looking financial model with full projections is built. The projections incorporate the Adviser's macro views, sector analysis and individual company fundamentals. These projections are a key driver for all subsequent steps in the Adviser's investment process. Meanwhile, historical financials

are thoroughly reviewed, with a focus on analyzing the company's operating performance and ability to generate free cash flow.

The Adviser conducts an extensive scenario analysis to stress-test covenants. In addition, the Adviser provides thoughtful structuring in connection with each investment on behalf of the Funds.

Proprietary valuation assessment, both of companies and of debt instruments, is another important step in the investment process. The Adviser employs multiple valuation methodologies to generate proprietary valuations, which the Adviser compares to market pricing across the capital structure in order to identify the best investment opportunities for its clients. The Adviser typically receives information directly from the entity (or its agents and/or representatives) it is investigating as a potential investment opportunity for a Fund.

Every position is evaluated with respect to its expected return and the probability of loss and trading liquidity. Each Fund's portfolio is continually rebalanced in order to maintain proper risk weighting. Finally, the Adviser's investment process consists of a comprehensive assessment of transaction exits under multiple scenarios and timelines. As various scenarios unfold, the Adviser monitors the relationship between executable exit value (where one exists) and a proprietary assessment of intrinsic value, derived as part of the Adviser's investment process.

The Adviser's advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. Where Funds acquire an influential position, the Adviser may be in a position to exercise influence over and add value to such investments. The Funds may make investments in both publicly-listed and privately-held companies. In addition, the Adviser may provide advice concerning the following securities and instruments:

- Bonds, convertible securities and equity securities issued by foreign or domestic issuers and/or denominated in foreign currencies or U.S. Dollars;
- Private Placements or other securities that are not registered or are exempt from registration under the Securities Act, such as Rule 144A securities;
- Bank loans, bank participations, loans and loan originations;
- Domestic and international convertible securities including, but not limited to (a) convertible securities that are convertible or exchangeable into equity securities of publicly traded US companies, and (b) convertible securities that are convertible or exchangeable into equity securities of foreign companies listed on a foreign exchange or represented by American Depositary Receipts listed on the New York Stock Exchange or the NYSE Alternext U.S., formerly known as the American Stock Exchange;

- Futures contracts, forward contracts, swaps, swaptions, commodities, hybrid securities, other ‘synthetic’ or derivative instruments, short sales, trades executed on margin, credit-linked notes, credit default notes and credit swaps;
- Repurchase Agreements; or
- Banker’s Acceptances.

Any determinations or actions with respect to the acquisition or disposition of investments for the TMT Funds are made by the Investment Committee of the general partner for such Fund. The Investment Committee reviews and is responsible for approving all investments, monitors due diligence practices and provides advice in connection with key commercial and legal terms of potential investments. Any Investment Committee decision requires a majority of the members. Moreover, Mr. Nelson has a veto right on any investment decisions.

The Investment Committee of the general partner for the TMT Funds currently consists of Mr. Nelson, Glenn M. Creamer, Paul J. Salem, Mr. Gahan and Michael E. Paasche. The composition of the membership of any Investment Committee may be terminated or changed by the general partner of the appropriate Fund at any time.

From time to time the Adviser may cause the Funds to invest cash held by the Funds in temporary investments on a short-term basis, pending investment, distribution to limited partners or payments of expenses or other obligations of the Funds. Such temporary investments shall principally take the form of treasuries, agencies, corporate debt securities, commercial paper and certificates of deposit.

Risks

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds in connection with those strategies and methods, include the following:

Risks Related to the Nature of the Fund’s Investments

A Fund will make investments primarily in bank loans and participations, other debt instruments and obligations and other securities senior to common equity of communications, education, information, entertainment and media companies. There can be no assurance that such investments by a Fund will maintain their value or that a Fund will not incur significant losses. In addition, although many syndicated bank loans and other debt instruments trade in an active secondary market, certain of a Fund’s investments will be highly illiquid, and there can be no assurance that a Fund will be able to realize a return on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions of securities in kind to investors that may or may not be marketable. Since a Fund will only make a limited number of investments, and because a Fund’s investments

generally will involve a high degree of risk, poor performance by a small number of investments could severely affect total returns to a Fund and its investors.

Financial Market Fluctuations

General fluctuations in the market prices of securities may affect the value of the investments held by a Fund. Instability in the securities markets will also likely increase the risks inherent in a Fund's investments. There is no guarantee that ordinary and prudent precautions for natural and other disasters will provide an effective connection between the Adviser and markets in the event of large-scale disruptions in the United States or, alternatively, in the countries where the Adviser executes trades.

Lack of Liquidity in Markets

The markets for many securities and other investments in which a Fund is invested may be thinly traded from time to time. This lack of liquidity and market depth could disadvantage a Fund, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Also, domestic and international securities exchanges and the SEC and other regulatory authorities have authority to suspend trading in a particular security without notice.

A Fund also may make investments in bank loans and participations, other debt instruments and obligations and other securities senior to common equity. Although many syndicated bank loans and other debt instruments trade in an active secondary market, certain of a Fund's investments may be highly illiquid, and there can be no assurance that a Fund will be able to realize a return on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions of securities in kind to investors that may or may not be marketable.

Additionally, a Fund's investments may be subject to certain transfer restrictions that may also contribute to illiquidity. A portion of a Fund's investments may consist of securities that are subject to restrictions on resale by the Fund because they were acquired in a "private placement" transaction or because the Fund is deemed to be an affiliate of the issuer of such securities. Generally, the Fund will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, a Fund may be deemed to be an underwriter or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act.

Finally, a Fund's assets that are typically traded in a liquid market may become illiquid if the applicable trading market tightens as a result of a significant macro-economic shock or for any other reason.

Market Disruption and Geopolitical Risk

A Fund is subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Fund's investments. These events, as well as other changes in U.S. and non-U.S. economic and political conditions, also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Fund's investments.

Confidential Information

The Adviser may, as a holder of loans or through its or its affiliates' management of the other clients, be entitled to receive material, non-public information regarding borrowers that may limit the ability of a Fund, under applicable securities laws or contracts, to trade in the public securities of such borrowers. To avoid some of these restrictions, the Adviser may elect not to receive such non-public information. As a result, a Fund, at times, may receive less information regarding a borrower than is available to the other investors in such borrower's loan.

Risks Related to Investment in the Technology Sector

A Fund may make a significant amount of investments in the debt of companies that operate in the technology sector. Specific risks faced by companies in the technology sector include: (i) rapidly changing science and technology, which may result in products becoming quickly obsolete; (ii) scarcity of skilled personnel with appropriate training; (iii) greater possibility of lawsuits related to patents and intellectual property; and (iv) rapidly changing market conditions, including changing investor sentiments and preferences with regard to technology sector investments (which are generally perceived as risky). There is no assurance that products or services of companies in which a Fund invests will not be rendered obsolete or adversely affected by competing products and services or that the companies in which a Fund invests will not be adversely affected by other challenges. In the event that the performance of the companies in which a Fund has made debt investments deteriorates as a result of such factors, returns to investors may decrease.

Risks Related to Investment in the Communications Sector

A Fund may make a significant amount of investments in the debt of companies that operate in the communications sector. Communications companies in the U.S., Canada and Europe and other developed and emerging countries are undergoing significant changes, mainly due to evolving levels of governmental regulation or deregulation as well as the rapid development of communication technologies. Competitive pressures within the communications industry are intense and the securities of communications companies may be subject to significant price volatility. In addition, because the communications industry is subject to rapid and significant changes in technology, some of the companies that a Fund will invest in will face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete. If the performance of the

companies in which a Fund has made debt investments deteriorates as a result of such factors, returns to investors may decrease.

Investment in Small Companies

There is often no limitation on the size or operating experience of the companies in which a Fund may invest. Some small companies in which a Fund may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Middle Market Companies

Certain of the Funds invest in the debt obligations or securities of middle market and/or less well-established companies. While middle market companies may have potential for rapid growth, they often involve higher risks. Middle market companies have more limited financial resources than larger companies and may be unable to meet their obligations under their debt securities that a Fund holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of a Fund realizing any guarantees it may have obtained in connection with its investment. Middle market companies also typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Less publicly available information may be available about these companies and they may not be subject to the financial and other reporting requirements applicable to public companies. They are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the company and, in turn, on a Fund. Middle market companies may also have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. They may also have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

Tax Risks of Certain Clients from Investments in Portfolio Companies

A Fund may be presented with attractive opportunities to acquire debt of a company in which certain clients of the Adviser or its affiliates hold an equity interest. Under certain circumstances, an acquisition of such debt by a Fund may result in adverse U.S. tax consequences to such company and to the Fund. Specifically, if a Fund were treated as being related to such company for U.S. tax purposes, an acquisition by the Fund of such company's debt at a discount to the adjusted issue price of such debt may result in such company recognizing cancellation of indebtedness income and the Fund being required to treat the discount as "original issue discount" (rather than "market discount"), resulting in phantom income to limited partners of the Fund. It is possible that the Adviser or its affiliates may

decide not to acquire such debt to avoid these or other adverse tax consequences. Certain U.S. legislation will mitigate some of the adverse tax consequences to the portfolio company (but not to the Fund) for debt acquisitions that occurred in calendar year 2009 or 2010.

Non-U.S. Investments Risks

Certain non-U.S. investments involve risks and special considerations not typically associated with U.S. investments, and investing outside the U.S. may involve different risk considerations in comparison with risks of investing in the U.S. These risks include, but are not limited to: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws; (iv) different accounting, auditing and financial reporting standards, practices and requirements compared to those applicable to U.S. companies; (v) fluctuations in currency exchange rates; (vi) the risk of nationalization or expropriation of assets or confiscatory taxation; (vii) social, economic and political uncertainty, including war and revolution; (viii) dependence on exports and the corresponding importance of international trade; (ix) greater price fluctuations and market volatility, (x) less liquidity and smaller capitalization of securities markets; (xi) higher rates of inflation; (xii) controls on, and changes in controls on, non-U.S. investment and limitations on repatriation of invested capital and on the Fund's ability to exchange local currencies for U.S. dollars; (xiii) less extensive regulation of the securities markets; (xiv) longer settlement periods for securities transactions; and (xv) less developed corporate laws regarding fiduciary duties and the protection of investors. Non-U.S. markets may be smaller, less liquid, and subject to greater influence by adverse events generally affecting the market. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries there are restrictions on investments or investors such that the only practicable way for a Fund to invest in such markets is by entering into swaps or other derivative transactions with its prime brokers or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by the Adviser.

Non-U.S. Currency and Exchange Risks

To the extent that a Fund directly or indirectly holds assets in local currencies in countries outside the United States, the Fund will be exposed to a degree of currency risk that may adversely affect performance. Changes in non-U.S. currency exchange rates may affect the value of securities in a Fund's portfolio. In addition, a Fund will incur costs in connection with conversions between various currencies. A Fund will conduct its non-U.S. currency exchange transactions in anticipation of funding investment commitments or receiving proceeds upon dispositions.

Hedging Risks

The Adviser may hedge some or all of a Fund's investments or other assets by entering into hedging arrangements with a broker, a bank or other organizations. Hedging against a decline in the value of an investment or other asset of a Fund does not completely eliminate risks

associated with fluctuations in the values of such investment or asset, or prevent losses if the values of such investment or asset decline. The hedging arrangements seek to establish other positions designed to gain from those same fluctuations in order to moderate the decline in the values of the investment or asset. Therefore, the hedging arrangements will limit the opportunity for gain if the values of the investment or asset subject to hedging should increase. In the event of an imperfect correlation between a position in a hedging arrangement and the investment or asset that it is intended to protect, the desired protection may not be obtained and the Fund may be exposed to risk of loss. In addition, it is often not possible to hedge fully or perfectly against all risks, and hedging entails its own costs which are generally borne by the Funds. The Adviser or its affiliates may determine in its sole discretion not to hedge against certain risks, and certain risks may exist that cannot be hedged. A Fund's hedging arrangements that are undertaken through brokers, banks or other organizations will subject the Fund to the risk of default or insolvency of such organizations. In such event, there can be no assurance that any money advanced to such organizations would be repaid or that the Fund would have any recourse in such event of non-payment.

Lack of Diversification

A Fund may not be highly diversified. Lack of diversification would expose a Fund to losses disproportionate to market declines in general if there were disproportionately greater adverse price movements in the particular investments held by a Fund. To the extent a Fund invests a relatively high percentage of its assets in bank loans or other debt instruments of a limited number of borrowers, a Fund will be more susceptible than a more widely diversified investment partnership to the negative consequences of a single corporate, economic, political or regulatory event.

Valuation of Illiquid Assets

The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Fund's assets.

Leverage; Ability to Obtain Leverage

With respect to certain Funds, the Adviser intends to use leverage to achieve a higher rate of return. While leverage presents opportunities for increasing a Fund's total return, it may increase losses as well. Accordingly, any event that adversely affects the value of an investment by a Fund would be magnified to the extent leverage is used. The cumulative effect of the use of leverage by a Fund in a market that moves adversely to the Fund's investments could result in a loss to the Fund that would be greater than if the Fund was not leveraged. In connection with borrowings by a Fund, a Fund may pledge its assets, subject to any limitations set forth in the organizational documents of the applicable Fund. If a Fund were to default under a credit facility, the lenders under such credit facility could foreclose on the collateral and take possession of those assets pledged by the Fund. There can be no guarantee that a Fund will be able to obtain appropriate amounts of leverage, or that leverage may be obtained

on terms and pricing that the Adviser finds attractive. As a result, the investments of the Fund may not be leveraged, or may not be leveraged at an amount that would be most appropriate for the Fund. Should the appropriate amount of leverage not be obtained or used by a Fund, the total returns for the Fund may be lower than they would have been had such amount of leverage been used.

The extent to which a Fund uses leverage (directly or indirectly) may have important consequences to the investors in the Fund, including, but not limited to, the following: (i) greater fluctuations in the net assets of the Fund; (ii) use of cash flow for debt service, rather than for additional investments, distributions, or other purposes; (iii) to the extent that Fund revenues are required to meet principal payments, the partners may be allocated income (and therefore tax liability) in excess of cash available for distribution; and (iv) in certain circumstances the Fund may be required to sell instruments prematurely to service its debt obligations. There can also be no assurance that a Fund will have sufficient cash flow to meet its debt service obligations. As a result, a Fund's exposure to losses may be increased due to illiquidity of its investments generally.

Risks of Derivative Instruments

Certain of the Funds engage in derivative transactions. A derivative is a financial contract the value of which depends upon, or is derived from, the value of underlying assets, reference rates or indices. Derivatives may relate to securities, interest rates, currencies or currency exchange rates, inflation rates, commodities and related indices, and include foreign currency contracts, swap contracts, options, forward contracts, repurchase or reverse repurchase agreements or other over-the-counter contracts. A Fund may use derivatives for many purposes, including as a substitute for direct investment in securities or other assets, as a means to hedge other investments and to manage liquidity and excess cash. A Fund also may use derivatives as a way to adjust its exposure to various securities, markets and currencies without actually having to sell existing investments and/or make new investments.

The U.S. government has enacted legislation that provides for new regulation of the derivatives market, including clearing, margin, reporting and registration requirements, which may restrict a Fund's ability to engage in derivatives transactions or increase the cost or uncertainty involved in such transactions. The European Union (and some other countries) are implementing similar requirements, which will affect a Fund when it enters into a derivatives transaction with a counterparty organized in that country, or otherwise subject to that country's derivatives regulations. Because these requirements are new and evolving (and some of the rules are not yet final), their ultimate impact remains unclear.

Under recently adopted rules and regulations, transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared. In a transaction involving those swaps ("cleared derivatives"), a Fund's counterparty is a clearing house rather than a bank or broker. Since the Funds are not members of a clearing house and only members of a clearing house ("clearing members") can participate directly in the clearing house, the Funds hold cleared derivatives through accounts at a clearing member. In cleared derivatives positions, a Fund makes payments (including margin payments) to and receives payments from a clearing house through accounts at clearing members. Clearing members guarantee performance of their clients' obligations to the clearing house.

In some ways, cleared derivative arrangements are less favorable to the Funds than bilateral arrangements, for example, by requiring that the Funds provide more margin for their cleared derivatives positions. Also, as a general matter, in contrast to a bilateral derivatives position, following a period of notice to a Fund, a clearing member at any time can require termination of an existing cleared derivatives position or an increase in margin requirements above those required at the outset of a transaction. Clearing houses also have broad rights to increase margin requirements for existing positions or to terminate those positions at any time. Any increase in margin requirements or termination of existing cleared derivatives positions by the clearing member or the clearing house could interfere with the ability of a Fund to pursue its investment strategy. Also, a Fund is subject to risk if it enters into a derivatives transaction that is required to be cleared (or that the Adviser expects to be cleared), and no clearing member is willing or able to clear the transaction on the Fund's behalf. In those cases, the position might have to be terminated, and the Fund could lose some or all of the benefit of the position, including loss of an increase in the value of the position and loss of hedging protection.

Some types of cleared derivatives are required to be executed on an exchange or on swap execution facilities ("SEFs"). A SEF is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants on the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for the Fund. For example, SEFs typically charge fees, and if the Fund executes derivatives on a SEF through a broker intermediary, the intermediary may impose fees as well. Also, a Fund may indemnify a SEF, or a broker intermediary who executes cleared derivatives on a SEF on the Fund's behalf, against any losses or costs that may be incurred as a result of the Fund's transactions on the SEF.

The U.S. government and the European Union have adopted mandatory minimum margin requirements for bilateral derivatives. Such requirements may increase the amount of margin a Fund needs to provide in connection with its derivatives transactions and, therefore, make derivatives transactions more expensive.

These and other new rules and regulations may, among other things, further restrict a Fund's ability to engage in, or increase the cost to the Fund of, derivatives transactions, for example, by making some types of derivatives no longer available to the Fund or otherwise limiting liquidity.

Derivative instruments involve risks different from, and, in certain cases, greater than the risks presented by more traditional investments. Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with other types of investments. The use of a derivative requires an understanding not only of the underlying instrument, but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to a Fund's portfolio.

Many derivative instruments also have documentation risk. Because the contract for each over-the-counter derivative transaction is individually negotiated with a specific counterparty, there exists the risk that the parties may interpret contractual terms (e.g., the definition of default) differently when a Fund seeks to enforce its contractual rights. If that occurs, the cost and unpredictability of the legal proceedings required for a Fund to enforce its contractual rights may lead the Fund to decide not to pursue its claims against the counterparty. A Fund, therefore, assumes the risk that it may be unable to obtain payments the Adviser believes are owed to it under derivatives instruments or those payments may be delayed or made only after the Fund has incurred the costs of litigation. Also, payment amounts calculated in connection with standard industry conventions for resolving contractual issues (e.g., ISDA protocols and auction processes) may be different than would be realized if a counterparty were required to comply with the literal terms of the derivatives contract (e.g., physical delivery). There is little case law interpreting the terms of most derivatives or characterizing their tax treatment. In addition, the literal terms of an over-the-counter contract may be applied in ways that are at odds with the investment thesis behind the decision to enter into the contract.

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives. Many derivatives, in particular over-the-counter derivatives, are complex and their valuation often requires modeling and judgment, which increases the risk of mispricing or improper valuation, and there can be no assurance that the pricing models employed by the Adviser will produce valuations that are consistent with the values realized when over-the-counter derivatives are actually closed out or sold. This valuation risk is more pronounced when a Fund enters into over-the-counter derivatives with specialized terms because the value of those derivatives in some cases is determined in part by reference to similar derivatives with more standardized terms. Improper valuations may result in increased cash payment requirements to counterparties, under collateralization and/or errors in calculation of a Fund's net asset value.

Furthermore, derivatives also involve the risk that changes in their value may not correlate perfectly with the assets, rates or indices they are designed to track. The risk may be more pronounced when outstanding notional amounts in the market exceed the amounts of the referenced assets. Suitable derivatives are not available in all circumstances. For example, the economic costs of taking some derivatives positions may be prohibitive. Consequently, a Fund's use of derivatives may not always be an effective means of furthering the Fund's investment objective. In addition to the risks referenced above, derivatives are subject to market risk, counterparty risk, illiquidity risks, leverage risk, and non-U.S. currency risks, which are discussed elsewhere in this Item 8.

Swaps

Certain of the Funds may utilize swaps where the Adviser believes such investments will further the objectives of the Fund. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose a Fund to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent a Fund invests in repos, swaps, forwards, futures, options and other "synthetic" or derivative instruments, a Fund would be subject to counterparty risk.

Counterparty Risk

A Fund is exposed to counterparty risk to the extent it uses certain derivatives, enters into repurchase agreements, lends its portfolio securities or posts margin due to changes in the market value of a derivative contract. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, a Fund could miss investment opportunities or otherwise hold investments it would prefer to sell, resulting in losses for the Fund.

Certain markets in which a Fund may effect transactions are “over-the-counter” and may include unregulated private markets. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of counterparties. A Fund may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods.

There can be no assurance that a counterparty will be able or willing to make timely settlement payments or otherwise meet its obligations, especially during unusually adverse market conditions. If a counterparty’s obligations are not fully secured by collateral, a Fund is essentially an unsecured creditor of the counterparty. If the counterparty defaults, a Fund will have contractual remedies, but there is no assurance that a counterparty will be able to meet its obligations pursuant to such contracts or that, in the event of default, a Fund will succeed in enforcing contractual remedies. Even where obligations are required by contract to be collateralized, there may be a lag between the day the collateral is called for and the day a Fund receives the collateral. Counterparty risk is still present even if a counterparty’s obligations are secured by collateral because a Fund’s interest in collateral may not be perfected or additional collateral may not be promptly posted as required.

Counterparty risk may also be more pronounced if (i) a counterparty’s obligations exceed the amount of collateral held by a Fund (if any), (ii) a Fund is unable to exercise its interest in collateral upon default by the counterparty, or (iii) the termination value of the instrument varies significantly from mark-to-market value of the instrument. When a counterparty’s obligations are not fully secured by collateral, a Fund is exposed to the risk of having limited recourse if the counterparty defaults. These risks may be particularly acute in environments in which financial services firms are exposed to systemic risks. During periods of market disruptions, a Fund may have a greater need for cash to provide collateral for large swings in the mark-to-market obligations arising under the derivatives used by a Fund.

A Fund will be exposed to the credit risk of its counterparties and may also bear the risk of settlement default. For example, although the seller under a repurchase agreement will be required to maintain the value of the securities subject to the agreement in an amount exceeding the repurchase price, default by the seller would expose a Fund, as buyer, to possible loss due to adverse market action or delay in connection with the disposal of the underlying obligations. Conversely, where a Fund acts as seller under a repurchase agreement

it is exposed to the risk of the buyer defaulting in its obligation to return the securities when it is required to do so, and a Fund could realize a loss on the purchase of the underlying security to the extent that the purchase price of the underlying security is greater than the cash collateral posted by the buyer.

In addition, if the seller becomes involved in bankruptcy or litigation proceedings, the Fund may incur delay and costs in selling the underlying security or may suffer a loss of principal and interest if a Fund is treated as an unsecured creditor and is required to return the underlying collateral to the seller's estate.

Securities purchased or sold on a "when-issued" or "delayed delivery" basis involve a risk of loss if the value of the securities to be purchased declines prior to the settlement date or if the value of the securities to be sold increases prior to a settlement date. Loans of securities also involve risks of delay in receiving additional collateral or in recovering the securities loaned, or possibly loss of rights in the collateral, should the borrower of the securities become insolvent.

Due to the nature of a Fund's investments, a Fund may invest in derivatives and/or execute a significant portion of its securities transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties may have a pronounced effect on a Fund. In addition, the creditworthiness of a counterparty may be adversely affected by larger than average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital. A Fund is not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of a Fund to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund. A Fund may sustain a loss as a result of the failure of the other party to a derivative to comply with the terms of the derivative contract.

Credit and Market Risks

A Fund's investments in bank loans and other debt instruments will entail nominal credit risks (e.g., the risk of non-payment of interest and principal) and market risks (e.g., the risk that certain market factors will cause the value of the instrument to decline). Although the Adviser expects the value of a Fund to fluctuate less significantly as a result of interest rate changes than would a portfolio of fixed-rate obligations, bank loans and other debt instruments may be subject to fluctuations due to changes in an issuer's credit quality. Because interest rates on bank loans only reset periodically and may not perfectly correlate with prevailing interest rates, during such time as the interest rate of a loan is fixed, such loan may be subject to the same fluctuations due to interest rate changes as fixed-rate obligations of similar duration. Also, a default on a loan that is held by a Fund or a sudden and extreme increase in prevailing interest rates may cause a decline in the Fund's asset value.

Bank Loans and Participations

Certain of the Funds invest in bank loans, assignments, and participations. These obligations are subject to certain special risks, including: (i) the possible invalidation of an investment

transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of a Fund to enforce its rights directly with respect to participations. Successful claims by third parties arising from these and other risks, absent certain conduct by the Adviser and certain other individuals, will be borne by the Fund.

Bank Debt Ratings

The ratings that may be assigned by various credit rating agencies to loans or other debt instruments that may be acquired by a Fund reflect only the views of those agencies. Explanations of the significance of ratings should be obtained from such credit rating agencies. No assurance can be given that ratings assigned will not be withdrawn or revised downward if, in the view of such credit rating agency, circumstances so warrant.

Longer Settlement for the Purchase of Bank Loans

The settlement process for the purchase of bank loans can take several days and, in certain instances, several weeks longer than a bond trade. The longer a trade is outstanding between the counterparties may increase the risk of additional operational and settlement issues and the potential for a Fund's counterparty to fail to perform.

Highly Leveraged Borrowers

The borrowers of loans in which a Fund will invest may be highly leveraged. Although many of a Fund's investments are expected to be in a senior position of the capital structure, a borrower's leverage may adversely impact a Fund in a number of ways, such as creating a greater possibility of default or bankruptcy of the borrower. It is also possible that the pledging of collateral (if any) to secure the loans could be found to constitute a fraudulent conveyance or preferential transfer, which would be nullified or subordinated to the rights of other creditors of the borrower under applicable law. Additionally, depending on the level of the capital structure in which a Fund acquires investments, the Fund may be subject to a greater risk of loss than if it acquires securities higher in the capital structure.

Prepayment of Obligations

A Fund may purchase loans where the underlying borrowers are not subject to any repayment penalties, even if a borrower determines to prepay the obligation early during the term of the loan. If the loans that a Fund is invested in are prepaid without any prepayment penalties, the Fund's ability to achieve its investment objective may be negatively affected.

Unsecured Loans and Collateral Impairment

In the event of a default by a borrower, a Fund might not receive payments to which it is entitled and thereby could experience a decline in the value of its investment in the borrower. If a Fund invests in loans that are not secured by collateral, in the event of such default the Fund will have only an unsecured claim against the borrower. In the case of loans that are

secured by collateral, while the Adviser generally expects the value of the collateral to be greater than the value of such secured loans, the value of the collateral may actually be equal to or less than the value of such loans or may decline below the outstanding amount of such loans subsequent to a Fund's investment. The ability of a Fund to have access to the collateral may be limited by bankruptcy and other insolvency laws. There is no assurance that the liquidation of the collateral securing a loan would satisfy the borrower's obligation in the event of nonpayment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, a Fund might not receive full payment on a secured loan investment to which it is entitled and thereby may experience a decline in the value of, or a loss on, the investment.

Second-Lien Debt

Certain of the Funds invest in second-lien debt, which entail risks, including (i) the subordination of the Fund's claims to a senior lien in terms of the coverage and recovery of the collateral and (ii) the prohibition of or limitation on the right to foreclose on a second-lien or exercise other rights as a second-lien holder. In certain cases, therefore, no recovery may be available from a defaulted second-lien debt. The level of risk associated with investments in second-lien debt increases to the extent such investments are debt of distressed or below investment grade companies. A Fund's ability to amend the terms of such instruments, assign the instruments, accept prepayments, exercise the Fund's remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to borrowers may be limited by intercreditor arrangements if there is debt senior to that Fund's debt outstanding.

Term Loans, Delayed Draw Loans, or Revolvers

A Fund may invest in a variety of different types of debt, including but not limited to term loans, delayed draw term loans, bridge loans, and revolving loans. A term loan is a loan that has a specified repayment schedule. A delayed draw loan is a loan that typically permits the borrower to withdraw predetermined portions of the total amount borrowed at certain times. A revolving credit facility differs from a delayed draw loan in that as the borrower repays the loan, an amount equal to the repayment may be borrowed again during the term of the revolving credit facility. Delayed draw loans and revolving credit facilities usually provide for floating or variable rates of interest. If a Fund enters into or acquires a commitment with a borrower regarding a delayed draw loan or a revolver, such Fund will be obligated on one or more dates in the future to lend the borrower monies (up to an aggregate stated amount) if called upon to do so by the borrower. These commitments may have the effect of requiring such Fund to increase its investment in a borrower at a time when it might not otherwise decide to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid). Delayed draw loans and revolvers may be subject to restrictions on transfer, and only limited opportunities may exist to resell such instruments. As a result, a Fund may be unable to sell such investments at an opportune time or may have to resell them at less than fair market value. In the event that a contractual obligation extends beyond a Fund's investment period, such Fund would be required to meet such contractual requirements and, if it were unable to do so, would be subject to contractual penalties under such loans. A Fund's obligation to meet such contractual requirements, which may be met

through drawdowns of capital commitments, may extend beyond such Fund's investment period.

Lower Rated Loans and Debt Instruments

Certain of the Funds invest in loans and other debt instruments that are rated below investment grade by the various credit rating agencies, or trade at a yield similar to non-investment grade debt (and in comparable non-rated loans). Loans and debt instruments rated in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated loans and debt instruments and are generally considered to be predominantly speculative with respect to the borrower's capacity to pay interest and repay principal. They are also considered to be subject to greater risk than investment grade rated debt instruments in the case of deterioration of general economic conditions. Because investors perceive that there are greater risks associated with such loans and debt instruments, the yields and prices of such loans and debt instruments may be more volatile than those for higher-rated loans and debt instruments. The market for lower-rated loans and debt instruments is thinner, often less liquid and less active than that for higher-rated loans and debt instruments, which may adversely affect the prices at which such loans and debt instruments may be sold and may make it impractical to sell such loans or debt instruments. An economic downturn would likely have a negative effect on the debt market as well as on the ability of the borrowers of such debt, especially highly leveraged borrowers, to service principal and interest payment obligations to meet their projected business goals or to obtain additional financing. If a borrower of a loan owned by a Fund defaults on such loan, the Fund may incur additional expenses to seek recovery, and the possibility of any recovery may be subject to the expense and uncertainty of insolvency proceedings.

Risks Associated with Non-Performing Loans

The loans purchased by the Funds may be or may become non-performing and may be in default. Furthermore, the obligor and/or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments with respect to the loans. By their nature, these investments will involve a high degree of risk. Such non-performing loans ("NPLs") may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. Commercial and industrial loans in workout and/or restructuring modes and the bankruptcy or insolvency laws of non-U.S. jurisdictions are subject to additional potential liabilities, which may exceed the value of a Fund's original investment. For example, borrowers often resist foreclosure on collateral by asserting numerous claims, counterclaims and defenses against the holder of loans, including lender liability claims and defenses, in an effort to delay or prevent foreclosure. Even assuming that the collateral securing each loan provides adequate security for the loans, substantial delays could be encountered in connection with the liquidation of NPLs. In the event of a default by a borrower, these restrictions as well as the ability of the borrower to file for bankruptcy protection, among other things, may impede the ability to foreclose on or sell the collateral or to obtain net liquidation proceeds sufficient to repay all amounts due on the related loan. In addition, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may

be found liable for damages suffered by parties as a result of such actions. Under certain circumstances, payments to a Fund and distributions by a Fund to participating investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

High Yield and Distressed Instruments

A Fund may invest in bridge loans, “high yield” bonds that are rated in the lower rating categories by the various credit rating agencies or comparable non-rated securities. Securities in the lower-rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities and are generally considered to be predominantly speculative with respect to the borrower’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings or comparable non-rated securities in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated and comparable non-rated securities. The market for lower-rated and comparable non-rated securities is thinner, often less liquid, and less active than that for higher-rated or comparable non-rated securities, which may adversely affect the prices at which these securities may be sold and may make it impractical to sell such securities.

Equity Risks

The market price of securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in a Fund is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, a Fund may lose all or substantially all of its investment in any particular instance.

Warrants

Certain Funds receive or purchase warrants or rights. Warrants and rights generally give the holder the right to receive, upon exercise, a security of the issuer at a stated price. Risks associated with the use of warrants and rights are generally similar to risks associated with the use of options. Unlike most options, however, warrants and rights are issued in specific

amounts, and warrants generally have longer terms than options. Warrants and rights are not likely to be as liquid as exchange-traded options backed by a recognized clearing agency. In addition, the terms of warrants or rights may limit a Fund's ability to exercise the warrants or rights at such time, or in such quantities, as the Fund would otherwise wish.

Nature of Bankruptcy Proceedings

A Fund may invest in companies that are at or near bankruptcy. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization, and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

There are a number of significant risks when investing in companies involved in bankruptcy proceedings, including the following: First, many events in a bankruptcy are the product of contested matters and adversary proceedings that are beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Fund. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Furthermore, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Sixth, creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. Seventh, a Fund may seek representation on creditors' committees and as a member of a creditors' committee it may owe certain obligations generally to all creditors similarly situated that the committee represents and it may be subject to various trading or confidentiality restrictions. If the Adviser concludes that a Fund's membership on a creditors' committee entails obligations or restrictions that conflict with the duties it or one of its affiliates owes to the investors in the Fund or any clients of the Adviser or its affiliates, or that otherwise outweigh the advantages of such membership, the Fund may not seek membership in, or may resign from, that committee. Because a Fund will indemnify the Adviser and its affiliates or any other person serving on a committee on behalf of the Fund for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the Fund's investment in a reorganization company.

Further, a Fund may invest in distressed companies based in Organisation for Economic Co-operation and Development (OECD) countries and other non-U.S. countries. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States,

resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

Third-Party Litigation

A Fund's investment activities subject it to the risk of becoming involved in litigation by third parties. This risk is somewhat greater where the Fund exercises control of, or significant influence over, a company's direction. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, absent certain conduct by the Adviser and its affiliates, be borne by the Fund, would reduce net assets and could require investors to return to the Fund distributed capital and earnings. The Adviser and its affiliates are entitled to be indemnified by a Fund in connection with such litigation, subject to certain limitations.

Syndication of Co-investments

From time to time, a Fund may make an investment with the expectation of offering a portion of its interests therein as a co-investment opportunity to investors and / or other third-party investors. There can be no assurance (1) that a Fund will be successful in syndicating such co-investment, in whole or in part, (2) that the closing of such co-investment will be consummated in a timely manner, (3) that the syndication will take place on terms and conditions that will be preferable for a Fund or (4) that expenses incurred by a Fund with respect to such syndication will not be substantial. If a Fund is not successful in syndicating such co-investment, in whole or in part, a Fund may consequently hold a greater concentration and have more exposure in the related investment than initially was intended, which could make a Fund more susceptible to fluctuations in value resulting from adverse economic and / or business conditions with respect thereto. Moreover, an investment by a Fund which is not syndicated to co-investors as originally anticipated could significantly reduce a Fund's overall investment returns.

Business and Regulatory Risks of Private Investment Funds

Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect such Fund. The regulatory environment for private investment funds and their investment advisers is evolving, and changes in the regulation of private investment funds or their investment advisers may adversely affect the value of investments held by a Fund and the ability of a Fund to obtain the leverage it might otherwise obtain or to pursue its trading strategies. Additionally, changes in regulation may make it prudent to restructure one or more Funds and the Funds will bear the cost of any such restructuring. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements and the SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. In addition, regulators are increasingly considering the role of non-bank lenders. There is no guarantee that laws and regulations applicable to non-bank lenders will not change in a manner that adversely affects a Fund, including the ability of a Fund to originate loans or otherwise restrict a Fund's activities

in this regard, or otherwise restrict or materially increase the cost of business to a Fund of pursuing all potential investment strategies and options.

Cybersecurity Risk

The Adviser, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of the Adviser and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Adviser, the Funds' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors. A successful penetration or circumvention of the security of the Adviser'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 the Funds, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

Similar types of operational and technology risks are also present for the companies in which the Funds invests, which could have material adverse consequences for such companies, and may cause the Funds' investments to lose value.

Item 9. Disciplinary Information

This item is not applicable to the Adviser.

Item 10. Other Financial Industry Activities and Affiliations

Related General Partners

The Adviser organizes the Funds, which are limited partnerships for which the Adviser (including affiliates of PECM) serves as general partner. For a description of material conflicts of interest created by the relationship among the Adviser and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

Affiliated Advisers

PECM is affiliated with the investment advisers listed below.

- Providence Equity LLP: organized in the United Kingdom and authorized to perform certain activities by the UK Financial Services Authority.
- Providence Equity Asia Limited: organized in Hong Kong and regulated by the Securities and Futures Commission of Hong Kong.
- Providence Equity Advisors India Private Limited: organized in India.
- Providence Equity Partners L.L.C.: a U.S. registered investment adviser with the SEC.
- Benefit Street Partners L.L.C.: a U.S. registered investment adviser with the SEC, a registered CPO and commodity trading advisor (“CTA”) with the CFTC and a member of the NFA.
- BDCA Adviser, LLC: a U.S. registered investment adviser with the SEC and an affiliate of Providence.
- Providence Equity Advisors Mauritius Limited: organized in Mauritius and regulated by the Mauritius Financial Services Commission.
- Providence Equity Asia Advisors Pte. Ltd.: a foreign advisory affiliate and wholly-owned subsidiary of Providence Equity Partners L.L.C., organized in Singapore and regulated by the Monetary Authority of Singapore.
- Providence Equity L.L.C.: organized in New York and has filed a single Form ADV with Providence Equity Partners L.L.C. as a relying adviser.
- Providence Strategic Growth Capital Partners L.L.C.: located in Providence, has filed a single Form ADV with Providence Equity Partners L.L.C. as a relying adviser.
- Merganser Capital Management, LLC (“Merganser”): a U.S. registered investment adviser with the SEC.

Clients of the Adviser may from time to time participate in transactions alongside other clients of PECM or clients of an affiliated adviser. Certain employees and management persons of the Adviser are also registered principals or associated persons of the Adviser and the Adviser’s affiliate, Benefit Street Partners L.L.C. (“Benefit Street”), in connection with the Adviser’s and Benefit Street’s registration as CPOs and membership with the NFA, along with Benefit Street’s registration as a CTA.

Merganser is operated and managed separately from the Adviser, and Merganser does not have any involvement in the day-to-day investment operations of the Adviser. The Adviser does not direct or coordinate investment recommendations with Merganser and all such recommendations and allocations of investment opportunities are made by the Adviser independent of Merganser.

For a description of material conflicts of interest created by the relationship among the Adviser and the affiliated advisers, as well as a description of how such conflicts are addressed, please see Item 11 below.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The Adviser's Code of Ethics requires each of the Adviser's employees to deal honestly and fairly with all persons with whom he or she has contact. Employees at all times must place the interests of the Funds and their investors first. Employees are required to conduct their personal trading so as to avoid any actual or potential conflicts of interest or any abuse of a position of trust or responsibility. Moreover, employees may not take inappropriate advantage of their positions. The Code of Ethics includes policies regarding personal trading by the Adviser's employees and members of their immediate families. These policies limit personal trading by employees in a wide range of securities, including common and preferred stock, debt instruments, securities that are convertible or exchangeable for equity or debt securities, and derivative instruments. Employees must report every account that they use for the trading of securities covered by the policy and have copies of periodic account statements sent by their broker(s) to the Adviser's compliance department. In addition, if they directly or indirectly influence or control trading in the account, they must pre-clear covered securities transactions with Adviser's compliance department. Trading in securities by employees for their personal accounts is prohibited without pre-clearance by the Adviser's Chief Compliance Officer or his designee.

A copy of the Code of Ethics is available to any client or prospective client upon request by calling Alexander H. McMillan at 212-588-6712 or by writing to Mr. McMillan, Chief Compliance Officer, Providence Equity Capital Markets L.L.C., 9 West 57th Street, Suite 4920, New York, NY 10019.

Valuation of Fund Assets

The Adviser has a duty to value the Funds as provided in and consistent with the organizational documents of the Funds. The Adviser has adopted a policy regarding the valuation of Fund assets in order to provide a basis for establishing valuations reported by Funds. Certain Funds have portfolio investments that include restricted securities in publicly held companies and privately held investments, which are carried at an estimate of fair value as determined in good faith and in accordance with the organizational documents of the applicable Fund. In the absence of special circumstances, all portfolio investments, other than restricted and privately held portfolio investments, are valued at market value. Market value for unrestricted, publicly traded portfolio investments is determined based on the closing price on the exchange on which the security is principally traded. Restricted and privately held portfolio investments, which may not have readily ascertainable market values, are valued at fair value, which is the estimated amount that would be received upon the sale of the portfolio investment in an orderly transaction between market participants on the measurement date. In establishing the fair value of portfolio securities, the Adviser or applicable general partner takes into

consideration, for each portfolio company, some or all of the following: (a) the prices of securities of comparable quality and type; (b) the liquidity of the position; (c) any correlation with general market indicators, such as indices; (d) transactions in similar securities; (e) a significant event occurs after either a security's last trade or the close of regular trading on the market where that security trades and before the portfolio's valuation time, (f) the nature and duration of restrictions on the disposition of securities (if applicable), (g) an evaluation of the forces which influence the market in which these securities may be purchased or sold, and (h) any other specific factors which may affect pricing. The Adviser also considers the application of control premiums and certain discounts in various situations. However, because of the inherent uncertainty of valuation, the recommended values may differ significantly from values that would have been used had a ready market for the restricted and privately held portfolio investments existed, and may differ significantly from the amounts realized upon disposition, and the differences could be material. Notwithstanding the foregoing, valuations for a particular Fund will comply with the requirements of the relevant Fund's organizational documents. The Adviser may use third-party valuation services to assist with any or all valuations of a Fund's portfolio investments.

The Adviser may modify the valuation methods described above if it determines that such modifications are appropriate and reasonable to reflect the value of any securities or other assets or liabilities, and will document the basis for any modifications, in each case, in accordance with the requirements of the relevant Fund's organizational documents.

Participation or Interest in Client Transactions

The Adviser and certain employees and affiliates of the Adviser invest in and alongside the Funds, either through the general partners of the Funds, as direct investors in the Funds or otherwise. Management fees and Carried Interest assessed on such investments are typically substantially reduced or waived entirely by the Adviser, a Fund or its general partner, as applicable. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

Investor Due Diligence Information

Due in part to the fact that potential investors in a Fund (including a potential purchaser of a limited partner's interest in a secondary transaction) may ask different questions and request different information, the Adviser provides certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners. In addition, certain investors in the Funds are strategic investors directly or indirectly into the Adviser, which results in such investors receiving greater or different information regarding the Adviser.

Conflicts of Interest

The Adviser and its affiliates engage in a broad range of activities, including investment activities for their own account and for the account of the Funds and providing transaction-related, advisory, management and other services to operating companies, including portfolio companies of the Funds. The Adviser has described various conflicts of interest that may arise

in respect of its business, as well as a description of how the Adviser addresses such conflicts of interest, below. The discussion below does not describe all conflicts that may arise.

Resolution of Conflicts

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, in its sole discretion. In resolving conflicts, the Adviser considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of the applicable Fund.
- (2) Conflicts of interest will generally be resolved by set procedures contained in the relevant offering and organizational documents of a Fund, if applicable.
- (3) Generally, each Main Fund has established an Advisory Committee, consisting of representatives of limited partners not affiliated with the Adviser. The Advisory Committees meet as required to consult with the Adviser as to certain potential conflicts of interest.
- (4) Where the Adviser in its sole discretion deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price.
- (5) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.
- (6) The Adviser and certain of its affiliates have adopted written policies establishing information "walls" designed to limit communication between business units investing in equity securities and debt securities of companies. These policies restrict the transfer of confidential information between these business units, subject to certain exceptions provided in the policies. These policies establish procedures for communications among employees of different business units to guard against unlawful and inappropriate disclosure of material, nonpublic information.
- (7) On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith judgment.

Potential Conflicts

The potential material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

Principal Transactions

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and its clients, on the other hand. Very generally, if an adviser (or an affiliate) purchases a security from or sells a security to a client, the adviser must disclose the terms of the transaction to the client and obtain the consent of the client prior to engaging in the principal transaction. In connection with the Adviser's management of its Funds, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 be made to the applicable Fund regarding any proposed principal transactions and that any required prior consent is received before executing a principal transaction.

Cross-Transactions

A cross-transaction generally refers to a transaction where one client account managed by the Adviser or its affiliates seeks to acquire an investment that another client account of the Adviser seeks to sell. Cross-transactions create conflicts of interest because a Fund is on both sides of the transaction. The Adviser on occasion purchases a security or securities for one Fund at the same time as a sale of the same security or securities for another Fund or effects cross-transactions between Funds. In most instances such transactions will be effected to rebalance the positions held by the Funds with a view towards achieving uniform results among certain clients in light of differing cash flows due to subscriptions and redemptions. The valuation of investments transferred between Funds involves inherent conflicts of interest. Any such transactions in publicly traded securities generally would be effected at the last sale price at the end or the first sales price at the beginning of the trading day through one or more broker-dealers, and in accordance with the Funds' organizational documents, if applicable.

Conflicts Related to Purchases and Sales

The Adviser, its affiliates, and officers, principals or employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to clients. In addition, such officers, principals or employees may buy securities in transactions offered to but rejected by clients. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements, and other circumstances of these investments may vary from those of the Adviser's clients. The Adviser and certain employees and affiliates of the Adviser may invest in and alongside the Funds, either through the general partners of the Funds, as direct investors in the Funds or otherwise. If employees and affiliates of the Adviser have made large capital investments in or alongside the Funds they may have conflicting interests with respect to these investments. The Adviser and its affiliates' employees are prohibited from "front running" (i.e., purchasing a security for a personal account while knowing that a Fund is about to purchase the same security, and then selling the security at a profit upon the rise in the market price following the purchase by the Fund). They are similarly prohibited from engaging in short-selling when they have access to confidential information that a Fund is about to sell a particular security. In addition, they are

prohibited from “intermarket front-running” (e.g., trading in an option for a personal account when a Fund is trading in the underlying security and vice versa).

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds or a client of the Adviser’s affiliate, or in a transaction where another Fund or client of such an affiliate has already made an investment. Investment opportunities may be appropriate for Funds and/or clients of the Adviser’s affiliate at the same time, at different or overlapping levels of a portfolio company’s capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work out or restructuring may raise conflicts of interest, particularly in Funds and clients of the Adviser’s affiliates that have invested in different securities within the same portfolio company.

Certain clients of the Adviser and its affiliates may invest in bank debt, loans and securities of companies in which other clients of the Adviser or its affiliates hold securities, loans or other investments, including equity securities, which may include a controlling position. In the event that such investments are made by a Fund, the interests of such Fund may be in conflict with the interest of such other Fund or client of the Adviser’s affiliates, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels, or in different levels of the debt structure of an issuer, could cause conflicts of interest. In certain circumstances, decisions made with respect to investments held by one Fund or client of the Adviser’s affiliates could adversely affect the investments of another Fund or another client of the Adviser’s affiliates. The involvement of such persons at multiple levels of the capital structure could also inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds or the clients of the Adviser’s affiliates may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser.

In addition, conflicts arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. The Adviser and its affiliates may seek to address these conflicts by adopting policies and procedures, which may include limiting investments by a Fund which produce such conflicts, limiting voting or roles on creditors’ committees, procedures designed to ensure that the team managing the investments make independent decisions through the enforcement of information barriers and similar procedures, or other procedures in the judgment of the Adviser. Investments by more than one client of the Adviser or its affiliates in a portfolio company also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by other clients of the Adviser or its affiliates. The Adviser and its affiliates will attempt to resolve any such conflicts in good faith, but there can be no assurance that such conflicts of

interest or actions taken by the Adviser or its affiliates in respect of other Funds will not have an adverse effect on the investments made by a Fund. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. Conflicts of interest related to investments by other Funds or funds managed by the Adviser's affiliates may result in a Fund limiting its participation in certain attractive investment opportunities.

Allocations

Each Fund may pursue investment opportunities similar to those pursued by another Fund or by clients of the Adviser's affiliates. The allocation of investment opportunities will be determined by the Adviser and its affiliates in their good faith judgment and in accordance with the organizational documents of the relevant Funds. Allocation decisions can raise conflicts, for example, if the Funds or clients of the Adviser's affiliates have different fee structures. Subject to applicable investment objectives and guidelines, the Adviser and its affiliates generally allocate investment opportunities on a pro-rata basis among eligible Funds and clients of the Adviser's affiliates based upon the current available capital of each such investment vehicle. With respect to the Funds, current available capital may include, in the Adviser's discretion, anticipated, target or available leverage, unsettled trades, unfunded commitments, and uncalled capital. In addition, certain investment opportunities are allocated using certain factors such as risk factors or risk tolerances and/or diversification, Fund investment restrictions, currency or other exposures, current portfolio composition (including current cash available), whether a Fund has an existing investment in a portfolio company, a Fund's phase in its life cycle (for example, certain opportunities may be over-allocated or under-allocated to a Fund during the beginning or the end of its investment cycle), tax or regulatory restrictions applicable to a Fund, the level of transaction costs involved in making the investment relative to the amount of capital a Fund has available for the investment and certain other factors. Notwithstanding the foregoing, in certain circumstances as determined by the Adviser in its sole discretion, Funds that would otherwise receive an allocation under the policies and principles set out above will not receive such allocation if it would result in allocation of a de minimis amount. Moreover (a) Benefit Street, PECM and BDCA Adviser, LLC (together, "Group A"), (b) Merganser Capital Management, LLC ("Group B"), and (c) Providence Equity Partners L.L.C. and the other affiliated advisers (together, "Group C") operate separately with respect to their allocation policies and are subject to certain information wall policies and procedures, such that investment opportunities that Group A, Group B, and Group C sources, respectively, are subject to their own separate allocation policies, procedures and obligations and not the allocation policies, procedures and obligations of (x) Group B or Group C, in the case of Group A and their clients, (y) Group A or Group C, in the case of Group B and their clients, or (z) Group A or Group B, in the case of Group C and their clients.

Any intra-Fund allocations will be done in accordance with the organizational documents for such entities, and these allocations are generally expected to be made on a pro rata basis.

The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds (after taking into account any portion

of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to the Adviser and/or the Funds or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interest of the applicable Fund), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Funds' organizational documents/side letter agreements.

In addition, a potential conflict may arise between investors of a Fund in the event that a limited partner requests to transfer its interest in a Fund in a secondary transaction. Subject to any restrictions in the organizational documents of the applicable Fund, or terms that may be negotiated in any side-letter arrangement, the Adviser or applicable general partner may identify certain, but not all, limited partners to potentially acquire the interest being transferred.

Subject to any restrictions contained in the offering or organizational documents of a Fund and any agreement which the Adviser, in its sole discretion, may enter into with any investor or potential investor, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the Adviser or its related persons considering such factors as the Adviser may consider relevant, (iii) co-investment opportunities are typically offered to some and not other investors in the Funds, in the sole discretion of the Adviser or its related persons, which may include affiliates of or investors in the Adviser and its related persons, and investors may be offered a smaller amount of co-investment opportunities than originally requested, (iv) certain persons other than investors in the Funds (e.g., third parties) may be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons, and (v) co-investors may purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer). Certain Funds sell down an interest in their portfolio companies to co-investors. Subject to the applicable organizational documents, the Adviser may decide to charge (or may decide not to charge) a co-investor (such as a Fund investor or third party) interest costs for the time period between the closing of the applicable Fund's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor. In certain circumstances, the Adviser may receive compensation from a third party for a co-investment opportunity. Additionally, non-binding acknowledgements of interest in co-investment opportunities are not investment allocation requirements and do not require the Adviser to notify the recipients of such acknowledgements if there is a co-investment opportunity.

The appropriate allocation between Funds of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their good faith judgment.

Management of the Funds

The Adviser manages a number of Funds that may have investment objectives similar to each other. The Adviser expects in the future to establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See “Allocations” above. In addition, it is expected that employees of the Adviser responsible for managing a particular Fund will have responsibilities with respect to other Funds and funds managed by the Adviser’s affiliates, including funds that it expects to establish in the future. Conflicts of interest may arise in allocating time, services or functions of these employees among Funds and funds managed by the Adviser’s affiliates. See also the Adviser’s response to the section entitled “Other Conflicts” below which describes other activities undertaken by employees of the Adviser.

Follow-on Investments

An additional investment made by a Fund in an existing portfolio company presents conflicts of interest, including the terms of any new financing as well as the allocation of the investment opportunities in the case of follow-on investments by one Fund in a portfolio company in which another Fund or client of the Adviser’s affiliates has previously invested. In addition, a Fund may participate in leveraging and recapitalization transactions involving a portfolio company in which another Fund or client of the Adviser’s affiliates has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

Related Services

The Adviser and its affiliates may perform Related Services for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions. Such fees will be in addition to the management fee and Carried Interest paid by such Fund to the Adviser. These fees may create a conflict of interest between the Adviser and the Funds and their investors because the amounts of these fees may be substantial and the Funds and their investors do not have an interest in these fees. However, the Adviser typically reduces the management fee by a percentage of the amount of such fees received, which percentage varies from Fund to Fund and is set forth in the organizational documents of each Fund and/or disclosed in the offering documents of each Fund. As described in response to “Fees and Compensation” above, the Adviser determines the amount of these fees for Related Services in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies.

Diverse Membership

The investors in the Funds include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments, as well as the structure of a Fund and its associated parallel funds. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser will consider the investment and tax objectives of the applicable Fund and the investors as a whole, not the investment, tax or other objectives of any investor individually.

Side Letter Agreements; Advisory Committee Rights

The Adviser enters into side letter arrangements with certain investors in certain of the Funds providing such investors with different or preferential rights or terms, including but not limited to (i) different fee structures, (ii) information rights, and (iii) liquidity or transfer rights. However, the organizational documents for each of the TMT Funds contain a most favored nations provision which allows each investor the right to elect to obtain such rights, where applicable. Except as otherwise agreed with an investor, the Adviser (or applicable General Partner) is not required to disclose the terms of side letter arrangements to other investors in the same Fund.

Many of the Funds have established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory committee. The advisory committee may also have the ability to approve conflicts of interests with respect to the Adviser and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee.

Advisory Affiliates

Providence Equity Partners L.L.C., Benefit Street Partners L.L.C., Merganser Capital Management, LLC, and BDCA Adviser, LLC, are investment advisers that are registered with the SEC. Benefit Street Partners L.L.C is also registered with the CFTC and is a member of the NFA. Providence Equity Partners L.L.C., Benefit Street Partners L.L.C., Merganser Capital Management L.L.C., BDCA Adviser, LLC and their relying advisers generally focus primarily on different investment strategies than the Adviser. However, clients of the Adviser, Providence Equity Partners L.L.C., Benefit Street Partners L.L.C., Merganser Capital Management, LLC, and BDCA Adviser, LLC may invest in the same portfolio companies, including in the same security or in different securities of such a portfolio company. In the ordinary course of conducting its activities, interests of the Adviser's clients may therefore conflict with the interests of the clients of Providence Equity Partners L.L.C., Benefit Street

Partners L.L.C., Merganser Capital Management, LLC, and BDCA Adviser, LLC. Please see the Adviser's response in the sections entitled "Conflicts Related to Purchases and Sales" and "Allocations" above for more information. Other than Providence Equity Partners L.L.C., Providence Strategic Growth Capital Partners, L.L.C., Benefit Street Partners L.L.C., Merganser Capital Management, LLC, and BDCA Adviser, LLC, the investment adviser affiliates of the Adviser do not have their own clients.

Conflicts Relating to the General Partner and the Adviser

Each general partner of a Fund is a related person of the Adviser. The Adviser generally may, in its discretion, contract with any related person of the Adviser (including but not limited to a portfolio company of a Fund) to perform services for the Adviser in connection with its provision of services to the Funds. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) a related person of the Adviser (including but not limited to a portfolio company of a Fund) or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or a member of their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Conflicts Related to Fee Structure

Because certain of the Funds' management fee may be based upon the value of investor's capital accounts or net asset value, to the extent that the valuation of such assets is determined or influenced by the Adviser or its affiliates, this may create a conflict of interest.

The fact that the Carried Interest received by the Adviser from the Funds is based on the performance of the Funds creates an incentive for the Adviser to cause the Funds to make investments that are more speculative than would be the case in the absence of performance-based compensation. However, this incentive is tempered somewhat by the fact that losses from unsuccessful investments will reduce the Fund's performance and thus the Adviser's receipt of Carried Interest.

Other Conflicts

The organizational documents of a Fund establish complex arrangements among the Funds, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the organizational documents of a Fund, if any, may be

broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Fund or its investors.

The Adviser, its affiliates and the Funds will often engage common legal counsel and other advisers in a particular transaction, including transactions in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, or other funds managed by the Adviser's affiliates and may also represent one or more portfolio companies or investors in a Fund or fund managed by the Adviser's affiliates. In the event of a significant dispute or divergence of interest between Funds and the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates. Moreover, in litigation and certain other circumstances separate representation may be required. Additionally, the Adviser, its affiliates and the Funds engage other common service providers. In such circumstances, there may be a conflict of interest between the Adviser, on the one hand, and the Funds and portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies.

The Adviser may in its discretion have, and may, in its discretion, cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser or the Adviser's affiliates. The Funds and/or their portfolio companies bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

If a Fund purchases in the secondary market at a discount debt securities of a company in which a Fund has, for example, a substantial equity interest, (a) a court might require a Fund to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Fund might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

Item 12. Brokerage Practices

The Adviser has discretion to determine the broker or dealer to be used and the commission rates to be paid in instances where a broker or dealer is used. When executing transactions on behalf of the Funds through a broker, dealer or underwriter, the Adviser's objective will be to obtain the most favorable commission and the best price obtainable on each transaction in light of the quality of execution provided. As such, brokers, dealers and underwriters are selected primarily on the basis of their execution, capability and trading expertise. Certain brokers and

dealers utilized by the Adviser make research information available to the Adviser. However, the Adviser does not enter into soft dollar arrangements or otherwise take into account research and non-execution services in selecting brokers to execute client transactions.

In order to monitor best execution, the Adviser, as well as the Adviser's compliance group, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

Aggregation of Trades

The Adviser may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions can enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser may combine orders on behalf of Funds with orders for other funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally allocate the publicly traded securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants.

When orders for publicly traded securities are not entirely filled, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities. Where aggregate trades have been filled during the course of the trading day at different prices, the costs of the publicly traded securities to each client will be averaged priced to the extent possible. See the Adviser's response to Item 11 above for more information regarding conflicts of interest related to investment and trading discretion.

Item 13. Review of Accounts

The Adviser staffs each Fund investment with a senior officer and a junior analyst. After an investment is made, the Adviser monitors each position on a daily basis and continually strives to optimize the portfolio based on changes in market conditions and underlying company fundamentals. Ongoing, collaborative industry and sector reviews are conducted by the Adviser and an active, up-to-date model is maintained. In addition, the Adviser keeps in regular contact with the company and the Adviser's trading desk actively monitors price movements with a daily mark-to-market for each position held.

The Adviser provides written quarterly unaudited reports and written annual audited reports to the limited partners of the Funds. Moreover, the Adviser provides quarterly letters to the limited partners of the Funds.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

The Adviser and its affiliates also from time to time engage in a broad range of activities, including providing Related Services to actual and potential portfolio companies of the Funds. Such Related Services are complementary to the investment supervisory services provided by the Adviser. Time spent on Related Services varies from investment to investment.

In addition, the Adviser and its related persons, in certain instances, receive discounts on products and services provided by portfolio companies of Funds.

While not a client solicitation arrangement, the Adviser notes that from time to time it engages one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain prospective investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests in a Fund that are accepted by the Fund's general partner with respect to such prospective investors. Such fees will be negotiated individually between the Adviser and such person.

Item 15. Custody

This item is not applicable to the Adviser.

Item 16. Investment Discretion

The Adviser has the discretion to determine, without consent of the Funds or the investors in the Funds, the particular securities or instruments to be bought and sold in accordance with the terms and conditions of the applicable organizational documents of each Fund. The Adviser will provide investment advice to the Funds, subject to certain limitations and restrictions on the Funds as to diversification and type of permitted investments. Funds will typically make direct investments in companies, although the Adviser may in its discretion form a special purpose vehicle with respect to particular investments.

Alternative Investment Vehicles are generally established in order to invest alongside or in the place of one or more Main Funds in a particular investment opportunity or opportunities, and the Adviser typically has limited discretion to invest the assets of Alternative Investment Vehicles independent of these limitations as set forth in the organizational documents of the Alternative Investment Vehicles and applicable Main Fund.

Item 17. Voting Client Securities

As the Funds primarily invest in debt instruments, the Adviser does not normally receive proxies to vote common stock. However, the Adviser has adopted the following proxy voting policies and procedures to address the instances where voting is required.

Where authority to vote proxies has been delegated to the Adviser, it is the Adviser's fiduciary duty to vote proxies and consents in the best interests of the Funds and the overriding principle of the Adviser's proxy voting is to maximize the financial interests of the Funds. It is the policy of the Adviser in voting proxies to consider and vote each proposal with the objective of maximizing long-term investment returns for the Funds.

The Adviser has established guidelines regarding the voting of proxies on routine, non-routine, corporate governance and social issues. The Adviser may, however, vote in a manner that is contrary to the general guidelines if it believes that it would be in a Fund's best interest to do so. All proxies, unless voted in accordance with the Adviser's general guidelines on routine, non-routine, corporate governance and social issues, will require a mandatory conflicts of interest review, which will include consideration of whether the Adviser, any investment professional or other person recommending how to vote and/or the Adviser's affiliates and their clients has an interest in how the proxy is voted that may present a conflict of interest. The Adviser is not required to vote a proxy if the cost of voting a particular proxy due to special translation, delivery or other requirements would outweigh the benefit of voting for the Fund. Though not common, situations may arise in which more than one Fund invests in the same company or in which a single Fund may invest in the same company but through multiple accounts. In those situations, two or more Funds, or one Fund with different accounts, may be invested in strategies having different investment objectives, investment styles or portfolio managers. As a result, the Adviser may cast different votes on behalf of different Funds or on behalf of the same Fund with different accounts.

The Adviser will retain all books and records relating to its proxy voting activities on behalf of client accounts in accordance with the requirements of Rule 204-2(c)(2) under the Advisers Act. Copies of the Adviser's proxy voting policies and procedures and relevant proxy logs are available to any client or prospective client by calling Alexander H. McMillan at 212-588-6712 or by writing to Mr. McMillan, Chief Compliance Officer, Providence Equity Capital Markets L.L.C., 9 West 57th Street, Suite 4920, New York, NY 10019.

Item 18. Financial Information

This item is not applicable to the Adviser.

Item 19. Requirements for State-Registered Advisers

This item is not applicable to the Adviser.