

# **BC Partners Advisors L.P.**

650 Madison Avenue, 23<sup>rd</sup> Floor  
New York, New York 10022

(212) 891-2880

[www.bcpartners.com](http://www.bcpartners.com)

Part 2A of Form ADV: Firm Brochure  
April 22, 2020

**This brochure provides information about the qualifications and business practices of BC Partners Advisors L.P. If you have any questions about the contents of this brochure, please contact us at (212) 891-2880. 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 BC Partners Advisors L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://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 section discusses only material changes since the last annual amendment to the brochure of BC Partners Advisors L.P. dated March 30, 2020. This other-than-amendment reflects updates to the descriptions of potential conflicts of interest and the business practices of the registrant and supplements existing disclosures relating to BC Partners Advisors L.P.'s practices and related potential conflicts of interest under Item 11.

### ITEM 3. TABLE OF CONTENTS

	<u>Page</u>
ITEM 2. MATERIAL CHANGES .....	2
ITEM 3. TABLE OF CONTENTS .....	3
ITEM 4. ADVISORY BUSINESS .....	4
ITEM 5. FEES AND COMPENSATION .....	6
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	13
ITEM 7. TYPES OF CLIENTS .....	15
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	15
ITEM 9. DISCIPLINARY INFORMATION .....	56
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	56
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	57
ITEM 12. BROKERAGE PRACTICES .....	81
ITEM 13. REVIEW OF ACCOUNTS .....	83
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION .....	84
ITEM 15. CUSTODY .....	84
ITEM 16. INVESTMENT DISCRETION .....	84
ITEM 17. VOTING CLIENT SECURITIES .....	84
ITEM 18. FINANCIAL INFORMATION .....	85

#### ITEM 4. ADVISORY BUSINESS

For purposes of this brochure, the “**Adviser**” means BC Partners Advisors L.P., a Delaware limited partnership. The Adviser, together (where the context permits) with its affiliated general partners of the Funds (as defined below) and other affiliates that provide advisory services to and/or receive advisory fees in respect of the Funds and other clients are collectively referred to as the “**Firm**” or “**BC Partners**”. Such affiliates may or may not be under common control with BC Partners Advisors L.P., but possess a substantial identity of personnel and/or equity owners with BC Partners Advisors L.P. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds (as defined below) or may serve as general partners of the Funds. BC Partners Advisors L.P. is wholly owned by BC Partners Inc., its sole limited partner, and its general partner is BC Partners (GP) LLC.

The Firm was founded in 1986 and has a long history making investments in control-oriented equity positions in businesses across Europe and North America through its private equity business (the “**Private Equity Business**”). The Firm launched in 2017 a dedicated opportunistic credit business focusing on making credit-oriented investments utilizing a variety of investment strategies and themes primarily in developed countries, with a focus on North America and Europe (the “**Credit Business**”). An affiliate of the Adviser launched in 2018 a real estate business focusing on pan-European opportunistic investments covering all real estate sectors; advisory personnel of the Adviser are not involved in this business. The Adviser provides investment advisory services to (i) an affiliated advisory entity and (ii) one or more pooled investment vehicles and managed accounts, all as further described below.

##### **The Private Equity Business**

The Private Equity Business generally focuses on buy-outs and targets investments in control equity positions in businesses across Europe and in North America (investment vehicles organized under the Private Equity Business are referred to herein as the “**PE Funds**”). In respect of the Private Equity Business, the Adviser provides investment advisory services to BC Partners LLP (“**BCP**”) in accordance with an “umbrella” sub-investment advisory agreement (“**Sub-IAA**”). BCP in turn provides investment advice to each relevant PE Fund’s general partner (or other controlling entity), each of whom makes investment decisions based on such advice in respect of the PE Funds. Each of the PE Funds is generally exempt from registration under the Investment Company Act of 1940, as amended (the “**1940 Act**”) and the securities offerings of each PE Fund are not registered under the Securities Act of 1933, as amended (the “**Securities Act**”).

The Adviser’s advisory services in respect of the PE Funds consist of investigating, identifying and evaluating investment opportunities, and providing advice in respect of: structuring, negotiating and making investments; managing and monitoring the performance of such investments; and disposing of such investments indirectly for the benefit of the applicable PE Fund. Investment restrictions for the PE Funds, if any, are generally established in the organizational or offering documents of the applicable PE Fund, advisory agreements and/or side letter agreements negotiated with investors in the applicable PE Fund (such documents,

collectively, a PE Fund's "**Organizational Documents**", which term may also be used to indicate the corresponding documents in reference to the Credit Clients (defined below) as the context may require).

### **The Credit Business**

The Credit Business primarily makes credit-oriented investments on an opportunistic basis. Funds organized under the Credit Business (excluding the BDC (as defined below)) are referred to herein as the "**Credit Funds**." The Credit Funds are private funds that are exempt from registration under the 1940 Act and the securities offerings of each Credit Fund are not registered under the Securities Act. The Adviser also provides investment advisory services to certain managed accounts ("**Accounts**") and a business development company registered under the 1940 Act ("**BDC**") and may in the future provide investment advisory services to single-investor funds ("**SIFs**") and other investment vehicles or products (whether or not registered). An affiliate of the Adviser also provides investment advisory services to a business development company. The Credit Funds, Accounts, SIFs, BDC and other entities and products referred to above are collectively referred to herein, as the context permits, as the "**Credit Clients**". In relation to the Credit Clients, the Adviser may act as investment manager, investment adviser or other type of adviser, depending on each structure.

In relation to the Credit Clients, the Adviser's advisory services typically consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Credit Clients, managing and monitoring the performance of such investments and disposing of such investments. The Credit Investment Team follows robust and rigorous investment processes with a view towards achieving consistent and repeatable results. In addition to the deep due diligence the Credit Investment Team performs in respect of each credit opportunity it assesses, the Credit Investment Team also leverages the PE Investment Team's (as defined below) expertise and network to enhance the Credit Business' ability to provide expertise in both financial structuring and value creation. Post-investment, the Credit Investment Team performs active and ongoing monitoring through formal quarterly portfolio reviews and frequent assessments of both risk-reward and covenant package compliance and, as appropriate, maintains an active dialogue with portfolio company management. In addition, and as appropriate, the Credit Investment Team engages with portfolio company management on value-add initiatives, with the support of the PE Investment Team.

As of December 31, 2019, the Adviser manages a total of \$ 11,456,469,824 of client assets, all of which is managed on a discretionary basis. With respect to the assets of the PE Funds, as described above the Adviser acts as a sub-investment adviser in respect of such PE Funds, and in such capacity may be deemed to provide advisory services in respect of such PE Funds' U.S. assets. Therefore, the Adviser has calculated and reported regulatory assets under management on this Form based on, in the case of each PE Fund, the value of such PE Fund's U.S. assets.

## ITEM 5. FEES AND COMPENSATION

The fees and expenses applicable to each PE Fund and Credit Fund (together, the “**Funds**”) are prescribed in each Fund’s Organizational Documents. The fees and expenses relating to the SIFs, Accounts, BDC and other Credit Clients are specified in the relevant investment advisory agreements or other operating agreements. Clients and investors should review the relevant Organizational Documents to fully understand the total amount of fees and expenses that may be paid.

The Firm generally receives Advisory Fees and Performance Compensation (each as defined below) or similar performance-based remuneration from the PE Funds and/or Credit Clients. A PE Fund, a Credit Client and/or any of their respective portfolio companies may also make other payments to the Firm for services provided in respect of any portfolio company (or intermediate entity) or other investment of any Client (collectively, “**Portfolio Investments**”), which, in certain circumstances, may reduce the Advisory Fees payable to the Firm in respect of such Fund or other Credit Client.

As compensation for investment advisory services rendered by the Adviser in respect of the Funds, together with management services provided by other Firm entities such as the general partners of such Funds, the Firm receives from each such Fund a management or advisory fee or equivalent profit share (each, an “**Advisory Fee**”), a portion of which will be paid, directly or indirectly, to the Adviser in respect of the advisory services provided by it. Any portion of the Advisory Fees indirectly received by the Adviser with respect to the PE Funds will be set out in the Sub-IAA. The Advisory Fee is typically calculated based on committed capital or invested capital, with respect to a Fund or other Credit Client (other than the BDC). Advisory Fees in respect of each of the Funds will generally be between 1.25% and 1.75% per annum and may be reduced during the life of a Fund, all as further described in the applicable Fund’s Organizational Documents. Advisory Fees paid by a Fund or other Credit Client (other than the BDC) may also be reduced by certain types of other fees or compensation received by the Firm that relate to such Fund’s or other Credit Clients’ activities and investments, or by certain organizational or other expenses borne by such Fund or other Credit Client as described in more detail below. Advisory Fees paid by a Fund are indirectly borne by third party investors in such Fund.

In accordance with the Organizational Documents of each Fund, Advisory Fees will be deducted from any available cash assets of the relevant Fund and to the extent there are not available cash assets, the relevant Firm entity will draw capital from investors for the purpose of paying any such Advisory Fees. PE Fund Advisory Fees are generally payable semi-annually in advance, while Credit Client Advisory Fees are generally payable quarterly in advance, except the BDC Advisory Fees which are payable quarterly in arrears. Prorated refunds will be provided for partial quarters, if any, to the extent applicable. The precise amount of, and the manner and calculation of, the Advisory Fees that are indirectly received by the Adviser for each Fund are established by BCP or the Adviser and are set forth in such Fund’s advisory agreement with BCP or the Adviser, as applicable (the “**Advisory Agreement**”) and/or the Organizational Documents received by each investor prior to investment in such Fund. The Advisory Fees and other fees and distributions

described herein are generally subject to modification, waiver or reduction by the Firm in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which may not be disclosed to other investors in the same Fund. The fee structures described herein may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

Advisory Fees applicable in respect of a SIF, Account, BDC or other Credit Client, and the manner in which such Advisory Fee is calculated, will be set forth in the operating and/or investment management agreements of such SIF, Account, BDC or other Credit Client. Advisory Fees for existing Accounts are calculated based on invested capital and are generally between 0.40% and 1.25% per annum, as further described in the applicable investment management agreements. With respect to the BDC, the base management fee is payable quarterly in arrears at an annual rate of 1.00% (1.50% if an exchange listing occurs) of the BDC's average gross assets, excluding cash and cash equivalents, but including assets purchased with borrowed amounts, at the end of the two most recently completed calendar quarters. The management fee charged by the BDC for any partial month or quarter will be appropriately prorated and adjusted for any share issuances or repurchases during the relevant month or quarter.

Certain investors in the Funds (PE or Credit) that are employees, business associates and other "friends and family" of the Adviser or its personnel ("**Adviser Investors**") will not typically pay Advisory Fees in connection with their investment in a Fund (or may pay Advisory Fees subject to reduced or partially waived rates or arrangements). Notwithstanding that Adviser Investors will generally not pay Advisory Fees, Adviser Investors will pay for their pro rata share of certain Fund expenses or the pro rata portion of such Adviser Investors' expenses will be allocated to the applicable Firm entity in respect of such Fund.

Please see Item 6 below regarding "Performance Compensation" that the Funds may pay.

Additionally, consistent with the Organizational Documents of each PE Fund or Credit Client, a Fund or Credit Client typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the PE Fund or Credit Client and/or the Portfolio Investments. Further details about certain common fees and expenses in respect of the Funds are set forth below. All other expenses borne by a SIF, Account, BDC or other Credit Client will be described in the operating and/or investment management agreements and/or administration agreement of such SIF, Account, BDC or other Credit Client.

Generally, and except as otherwise set forth in the Organizational Documents of a Fund, the Firm will ultimately bear all fees and out-of-pocket expenses of any placement agent it engages to solicit investors for the Funds. The Funds will bear all legal and other expenses, including the out-of-pocket expenses of the applicable general partner, incurred in the formation of the Funds, in certain cases, up to an amount specified in the Organizational Documents of the applicable Fund. In certain cases, organizational expenses in excess of a specified amount, if any, ultimately will be borne by the applicable Firm entity.

Generally, and except as otherwise set forth in the Organizational Documents of a Fund, a Fund (including its subsidiaries and intermediate entities) will bear all fees, costs, expenses, obligations and liabilities (together with any value added tax or other relevant taxes, if any) relating to: (i) its operation, management and administration; (ii) its investment related activities (including sourcing, negotiating, acquiring, holding and disposing of actual and potential investments); and (iii) its eventual termination and winding up. Such fees, costs, expenses and liabilities will include travel costs (but not including expenses incurred in connection with air travel that exceeds an amount equal to comparable first class commercial air travel to the extent available); fees, costs and expenses of lawyers, accountants and other professional and other advisors and service providers, including finders and brokers; fees, costs, expenses and liabilities in relation to the Fund's borrowing and hedging activities; fees, costs and expenses related to valuations, appraisals or pricing services, investor reporting and meetings, including advisory committee meetings, and compliance with the Adviser's disclosure, reporting and information assistance obligations under the Organizational Documents; tax, legal and regulatory compliance costs in respect of a Fund and its investments (including, without limitation, expenses associated with a Fund's compliance with applicable laws and regulations, expenses incurred in connection with complying with provisions in investor side letter agreements, including "most favored nation" provisions, expenses relating to the preparation and filing of Form PF, reports and notices to be filed with the U.S. Commodity Futures Trading Commission and/or reports, filings, disclosures and notices prepared in connection with the laws and/or regulations of jurisdictions in which a Fund engages in activities, and notices, reports and/or filings under the Alternative Investment Fund Managers Directive and any related regulations); fees, costs and expenses of any administrators, custodians and depositaries; administrative and/or accounting expenses and related costs or charges (including, in relation to a Credit Fund, costs, expenses, charges and/or fees charged or specifically attributed or allocated by the Credit Fund, the Adviser and its affiliates to provide administrative and/or accounting services relating to the Credit Fund); any costs, expenses, charges and/or fees in respect of any services provided by any affiliates of the Firm relating to a Fund, which if performed by a third party would constitute a Fund expense (including, in relation to a Credit Fund, in-house legal expenses, costs and charges in connection with loan closings and/or the negotiation and execution of the Credit Fund's investments (to the extent the Firm is not reimbursed by a prospective or actual Portfolio Investment or other third party)); expenses associated with auditing, market data and research (including news and quotation equipment and services), printing and reporting-related expenses (including preparation of financial statements, tax returns, K-1s, and other communications or notices relating to the Fund), and technology-related expenses, each including costs, expenses and charges incurred, charged or specifically attributed or allocated by a Fund or the Firm to provide services related thereto; expenses of loan servicers and other service providers; expenses of any independent client representative; expenses of meetings with employees/representatives of the general partner of a Fund and its affiliates with one or more limited partners; any costs and expenses associated with vehicles through which a Fund or the limited partners directly or indirectly participate in investments (including fees paid to the Firm for providing directors, officers, office space and facilities to such intermediate vehicles); and fees, costs and expenses incurred in relation to maintaining professional indemnity insurance and



directors' and officers' insurance, cyber-security insurance premiums, as well as in relation to any litigation, mediation, arbitration or other proceedings, investigations or audits (actual, threatened or otherwise anticipated) involving or relating to a Fund and the amount of any judgment or settlement entered into in connection therewith. In addition, a Fund will bear all taxes and all fees or other charges levied by any governmental agency or regulatory body against a Fund in connection with its investments or otherwise and any other fees, costs, expenses, liabilities or obligations approved by its respective advisory committee. Any costs incurred in relation to proposed investments of a Fund not completed will typically be borne by such Fund.

Each Account bears all reasonable out-of-pocket costs and expenses related to the operation and management of the Account and the execution of their investment programs to the extent such costs are not borne by the applicable borrower/issuer.

Generally, payments under the administration agreement ("**Administration Agreement**") between the BDC and BC Partners Management LLC (the "**Administrator**"), an affiliate of the Adviser, are equal to an amount that reimburses the Administrator for its costs and expenses and its allocable portion of overhead incurred by the Administrator in performing its obligations under the Administration Agreement, including the BDC's allocable portion of the compensation paid to its chief compliance officer and chief financial officer and the Administrator's respective staff who provide services to the BDC.

The BDC will bear all fees, costs, expenses and liabilities (together with any value added tax or other relevant taxes, if any) relating to its allocable portion of the compensation paid by the Adviser (or its affiliates) to its chief compliance officer and chief financial officer and the Adviser's respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to the BDC's business affairs). The BDC will also bear all other costs and expenses of its operations, administration and transactions, including, but not limited to (i) investment advisory fees, including management fees and incentive fees, to the Adviser, pursuant to the investment advisory agreement; (ii) its allocable portion of overhead and other expenses incurred by the Adviser in performing its administrative obligations under the investment advisory agreement; and (iii) all other expenses of its operations and transactions including, without limitation, those relating to: (a) the cost of its organization and this offering; (b) the cost of calculating its net asset value, including the cost of any third-party valuation services; (c) the cost of effecting any sales and repurchases of its common stock and other securities; (d) fees and expenses payable under any dealer manager agreements, if any; (e) administration fees payable under the Administration agreement and any sub-administration agreements, including related expenses; (f) debt service and other costs of borrowings or other financing arrangements; (g) costs of hedging; (h) expenses, including travel expense, incurred by the Adviser, or members of the Investment Team (as defined below), or payable to third parties, performing due diligence on prospective portfolio companies and, if necessary, enforcing its rights; (i) transfer agent and custodial fees; (j) fees and expenses associated with marketing efforts; (k) federal and state registration fees, any stock exchange listing fees and fees payable to rating agencies; (l) federal, state and local taxes; (m) independent directors' fees and expenses including certain travel expenses; (n) costs of preparing financial

statements and maintaining books and records and filing reports or other documents with the SEC (or other regulatory bodies) and other reporting and compliance costs, including registration and listing fees, and the compensation of professionals responsible for the preparation of the foregoing; (o) the costs of any reports, proxy statements or other notices to stockholders (including printing and mailing costs), the costs of any stockholder or director meetings and the compensation of investor relations personnel responsible for the preparation of the foregoing and related matters; (p) commissions and other compensation payable to brokers or dealers; (q) research and market data; (r) fidelity bond, directors' and officers' errors and omissions liability insurance and other insurance premiums; (s) direct costs and expenses of administration, including printing, mailing, long distance telephone and staff; (t) fees and expenses associated with independent audits, outside legal and consulting costs; (u) costs of winding up; (v) costs incurred by either the Administrator or the BDC in connection with administering the BDC's business, including payments under the Administration Agreement for administrative services that will be equal to an amount that reimburses the Administrator for its costs and expenses and the BDC's allocable portion of overhead incurred by the Administrator in performing its obligations under the Administration Agreement, including, the formation or maintenance of entities or vehicles to hold the BDC's assets for tax or other purposes; (w) extraordinary expenses (such as litigation or indemnification); and (x) costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws.

From time to time, the general partner of a Fund may create certain "special purpose vehicles", "alternative investment 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 thereof, may be required to bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV, if the general partner determines that it would not be appropriate for such expenses to be borne by all investors in the relevant Fund (whether or not participating in the SPV).

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the Fund, may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making, holding and disposing of an investment. If a proposed transaction is not consummated, typically the full amount of any expenses relating to such proposed but not consummated transaction ("**Dead Deal Costs**") would be borne by the Fund or Funds selected by the Firm as proposed investors for such proposed transaction; provided, however, any Dead Deal Costs relating to a proposed transaction including co-investors would be allocated as further described in "*Co-Investment Opportunities*" in Item 11 below.

For certain of the Funds, the Firm may receive fees in addition to the Advisory Fee, including commitment fees, asset management fees, administrative fees, break-up fees, directors' fees, consulting fees, incentive fees or discounts from service providers and similar fees relating to the investments made by a Fund and/or to monitoring, transaction-related services, financial advisory services and other services ("**Related Services**") provided by the Firm to an actual or prospective investment, other investment vehicles of the Funds or the Funds themselves, including fees in connection with structuring investments, as well as mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales or other dispositions and similar transactions with respect to such Portfolio Investments and compensation for arranging, underwriting, syndicating or refinancing loans and/or other investments or other additional fees, including loan structuring fees, work out, loan modification, extension or restructuring fees, servicing (including loan servicing and special servicing fees) and administrative fees, and fees for advisory services and/or the monitoring, oversight and/or restructuring of loans, syndication, origination, organizational (including treasury, collateral management and affirmation/confirmation), financing, placement, investment banking and divestment fees and other fees for services (collectively, "**Other Fees**"). The scope and composition of "Other Fees" will vary across each Fund based on the terms and Organizational Documents thereof and will differ over time. Such Other Fees will generally, for purposes of calculating any Advisory Fee offset, be net of any expenses reasonably incurred by the Firm in connection with such fees. Although Other Fees are often substantial and are in addition to Advisory Fees paid by the Funds, these Other Fees will not reduce the Advisory Fee unless specifically stated in the Fund's Organizational Documents. To the extent any of these Other Fees do reduce the Advisory Fees paid by any applicable Fund, the amount, scope and manner of such reduction is set forth in the Advisory Agreement and/or Organizational Documents of the applicable Fund and only those fees that are expressly set forth under the Organizational Documents of such Funds will be applied to the Advisory Fee reduction arrangement described above. To the extent a reduction relates to more than one Fund, the Adviser will generally allocate the resulting Advisory Fee reduction among the applicable Fund(s) and other participants in proportion to their interest (or prospective interest) in the Portfolio Investment (resulting in an offset to the Advisory Fee with respect to a particular Fund based on its proportionate share thereof). If any Funds do not pay Advisory Fees, any such reduction will not benefit such Funds (and will be retained by the Firm). Generally, the portion of Other Fees allocable to capital invested by a Fund, co-investment vehicle even where Advisory Fees are charges, or third-party investor that does not pay Advisory Fees (or which does not otherwise expressly include an Advisory Fee offset provision in its Organizational Documents) will be retained by the Adviser and such amounts will not offset any Advisory Fee. The Adviser and/or its affiliates generally have discretion over whether to charge Other Fees to a Portfolio Investment and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure. In most circumstances, such compensation is not reviewed or approved by an independent third party. The payment of Other Fees by Portfolio Investments to the Firm or its partners and employees creates a conflict of interest between the Firm and the Funds and their investors, as described in "*Other Fees; Fees from Portfolio Investments*" in Item 11 below. For the avoidance of doubt, the Adviser also will not offset

compensation received from outside sources, such as residual employee board seats at entities that are no longer Fund portfolio companies.

The Firm may also receive with respect to the Private Equity Business “monitoring fees” pursuant to monitoring agreements with Portfolio Investments of the PE Funds governing the advice, consultation and other similar ongoing services provided by the Adviser to such Portfolio Investments. The terms of a monitoring agreement may include (among other things) a set term or annual automatic renewals, the payment of monitoring fees (which may be fixed fees or calculated as a percentage of EBIDTA or similar performance metric), and the acceleration of payment of the monitoring fees upon certain termination events, including the occurrence of an initial public offering, sale, strategic exit or other change of control event. Upon exiting a Portfolio Investment (including through a termination event previously described), the Adviser or its affiliate may also be entitled to all unpaid monitoring fees plus unreimbursed expenses plus (in some instances) the value of future monitoring fees that would otherwise be payable by the Portfolio Investment over a future fixed period. The accelerated monitoring fee may be calculated as the present value of hypothetical future payments, which may be based on an assumed growth in performance, based on an assumed growth of EBITDA or similar metric, and may be calculated using a discount rate as low as the risk-free rate, as determined by the Adviser. This acceleration of future monitoring fees can be charged in instances where the Adviser (or one or more of its affiliates) expects to continue to provide ongoing services and advice to the Portfolio Investment after there has been an exit, and in instances where the Adviser will no longer provide ongoing services and advice to the portfolio investment after such exit. Since the monitoring agreements with the Portfolio Investments providing for such fees may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the effect of such acceleration may be substantial, particularly in the event such circumstances occur early in the life of a PE Fund’s investment in such Portfolio Investment. A Fund’s allocable portion of the aggregate annual monitoring fees and any accelerated monitoring fees will be offset against fees payable in respect of such Fund in accordance with the offset provisions in the applicable Organizational Documents. In instances where other BC Partners vehicles participate in a Portfolio Investment with a Fund, the aggregate amounts or fees allocable to any other BC Partners vehicles, would, depending on the terms of the Organizational Documents of such other BC Partners vehicle, either be offset, in whole or in part, against the management fees payable by such Fund to the Adviser or its affiliate or, as is often the case, fully retained by the Adviser. The amounts allocable to co-investors would be fully retained by the Adviser or its affiliate unless the agreements with co-investors provide otherwise. Additionally, Portfolio Investments may reimburse the applicable Firm entity for expenses (including without limitation travel expenses, which may include expenses for chartered or first class travel, and meals and entertaining expenses) incurred by such Firm entity in connection with its performance of services for such Portfolio Investment; such reimbursed expenses are generally not included in the definition of “Other Fees” under the terms of the applicable organizational documents, and such reimbursements are not subject to the offset arrangements described above. For a discussion of material conflicts of interest created by the receipt of such fees, please see Item 11 below.

From time to time, the Firm may (in its sole discretion), agree to pay a portion of an Other Fee received from an actual or prospective Portfolio Investment to a third party (“**Third Party Fee**”), such as a consultant, advisor, finder, broker, loan servicer, other service provider and/or investment bank. In such event, the Third-Party Fee is not a fee that the Firm is entitled to retain and therefore, the Firm is not required under the terms of the applicable Organizational Documents to share such Third Party Fee with the Funds and would not offset any Advisory Fee payable by such Funds.

The Firm also engages and retains senior advisors, operating advisors, operating partners, advisers, consultants, and other similar professionals who are not employees or affiliates of the Firm (collectively, “**Operating Advisors**”) and who, from time to time, receive payments from, or allocations with respect to, Portfolio Investments and/or other entities. In such circumstances, such amounts will not be deemed paid to or received by the Firm and such amounts will not be subject to the sharing arrangements described above and will not benefit the Fund or its investors. The use of Operating Advisors subjects the Adviser to potential conflicts of interest, as discussed under “Conflicts - Operating Advisors and Consultants,” below.

Although the Firm does not generally utilize the services of broker-dealers to effect portfolio transactions for the PE Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular PE Fund such PE Fund will incur brokerage and other transaction costs. The Credit Funds will utilize one or more brokers in connection with their Portfolio Investments and such Credit Funds will bear any costs related to their use of brokers. For additional information regarding brokerage practices, please see Item 12 below.

#### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

A portion of the profits of a Fund may be allocated to the Firm (including a special limited partner established for such purpose) as performance-based compensation (e.g. “carried interest”) (“**Performance Compensation**”). The Performance Compensation received by such Firm entity conforms with the requirements set forth in Section 205 of the Investment Advisers Act of 1940 (as amended, the “**Advisers Act**”). Performance Compensation paid by a Fund is indirectly borne by the investors in such Funds including any feeder funds that invest in such Fund. Any SPV will generally contain terms and conditions substantially similar to those of the applicable Fund with respect to which it is formed (subject to legal, tax, regulatory, accounting and other considerations) and profits and losses of a SPV generally will be aggregated with those of such Fund for purposes of determining distributions by the Fund and the SPV (except as may be advisable because of legal, regulatory, tax, accounting or other constraints).

Any Performance Compensation in respect of a SIF, Account, BDC or other Credit Client will be set forth in its applicable operating agreement. Existing Accounts also pay Performance Compensation (e.g., “incentive fees”), which Performance Compensation conforms with the requirements set forth in Section 205 of the Advisers Act.

The precise amount of, and the manner and calculation of, the Performance Compensation for each Fund is disclosed in such Fund's Organizational Documents and will vary Fund by Fund. The Performance Compensation provisions are negotiated collectively with the investors of each Fund and are also subject to waiver or reduction by the applicable Firm entity. For example, the Adviser and certain of its principals and employees and their "friends and family" and related vehicles typically invest in the Funds, and the Performance Compensation related to such investments is typically substantially reduced or waived entirely. The precise amount of, and the manner and calculation of, the Performance Compensation for each Account is disclosed in such Account's investment management agreement and will vary Account by Account.

With respect to the BDC, the Performance Compensation consists of two parts, as follows:

- (i) The first component, payable at the end of each quarter in arrears, equals 100% of the pre-incentive fee net investment income in excess of a 1.50% quarterly preferred return but less than 1.76% the upper level breakpoint and 15% (17.50% if an exchange listing occurs) of the amount of pre-incentive fee net investment income that exceeds 1.76% in any calendar quarter. For purposes of determining whether pre-incentive fee net investment income exceeds the hurdle rate, pre-incentive fee net investment income is expressed as a rate of return on the value of the BDC's net assets at the end of the immediately preceding calendar quarter.
- (ii) The second component, payable at the end of each calendar year in arrears, the capital gains incentive fee, equals 15.0% of cumulative realized capital gains from inception through the end of such calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fee for prior periods. The BDC accrues, but does not pay, a capital gains incentive fee with respect to unrealized capital appreciation because a capital gains incentive fee would be owed to the Adviser if the BDC were to sell the relevant investment and realize a capital gain.

The payment by some, but not all, Funds and/or other Credit Clients of Advisory Fees (for example, Advisory Fees during term extensions, or post term, of certain Funds may be reduced or no longer payable) or Performance Compensation (for example, co-investment vehicles may not be subject to any Performance Compensation), or the payment of Advisory Fees or Performance Compensation at varying rates, creates an incentive for the Firm to disproportionately allocate time, services (including the services of the Adviser and other sub-advisers) or functions to Funds and/or other Credit Clients paying Advisory Fees and/or Performance Compensation, or Funds and/or other Credit Clients paying Advisory Fees and/or Performance Compensation at a higher rate, or allocate investment opportunities to such Funds and/or other Credit Clients. For a discussion of material conflicts of interest created by these practices, please see Item 11 below.

## **ITEM 7. TYPES OF CLIENTS**

The Adviser currently provides investment advisory services in respect of the applicable Funds and the other Credit Clients. Interests in the Funds are generally offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally “accredited investors” as defined in the Securities Act and/or “qualified purchasers” as defined in the 1940 Act; however, non-U.S. investors in the Funds may not be “qualified purchasers.” Investors in the Funds may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities. Funds may, however, be offered under other exemptions or pursuant to applicable registration statements under the Securities Act and/or 1934 Act from time to time (as the case may be).

The Firm does not have a minimum size for a Fund, 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 Organizational Documents of such Fund. Minimum investment commitments for a SIF, Account, BDC or other Credit Client will be set forth in its applicable operating agreement.

The Firm, in accordance with the respective Organizational Documents, is permitted to exempt investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors in the Funds from payment of all or a portion of Advisory Fees and/or Performance Compensation. The respective Fund’s general partner reserves the right to make any such exemption from Advisory Fees and/or Performance Compensation, and such exemption may be made by a direct exemption, a rebate by the Firm and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where a BC Partners professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Advisory Fee and Performance Compensation with respect to such Fund. Additionally, to the extent permitted by the relevant Organizational Documents, certain Advisers have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant general partner or other vehicles that do not bear Advisory Fees or Performance Compensation.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis and Investment Strategies**

In advising a Fund, the Adviser will recommend an investment strategy (i) in respect of the Credit Clients, to such Credit Client and (ii) in respect of the PE Funds to such PE Fund’s general partner indirectly through BCP, based on its deliberate approach to asset selection, portfolio construction, execution, due diligence and value creation.

### **PE Funds Approach**

On the PE Funds' side, this approach consists of:

- **Asset Selection** – BC Partners' deliberate approach to asset selection is based on its “Key Investment Criteria” which have not changed materially since its inception. These criteria provide a framework for assessing investment opportunities using the experience and expertise of the Adviser's investment team in respect of the PE Funds (the “**PE Investment Team**”) in business analysis. The Key Investment Criteria include:
  - Market-leading Businesses;
  - Defensive Markets and Business Models;
  - Cash Flow Generation;
  - Growth Potential;
  - Multiple Operating Levers;
  - Fair Prices for Superior Businesses;
  - Strong, Incentivized Management Team;
  - Control and Governance Rights;
  - Attractive Exit Alternatives;
  - Limited Country Risk; and
  - Appropriate Diversification of Fund Portfolio.
- **Portfolio Construction** – BC Partners typically builds its portfolio in respect of PE Funds with a balance of larger investments exhibiting commensurably lower risks and solid rewards alongside higher growth businesses with more significant upside potential. In addition to the diversification of the portfolio through different risk/reward profiles, BC Partners seeks to manage the diversification of the Funds across a number of other areas such as: sector, geography and currency, etc.

Since inception, BC Partners believes it has maintained a balanced geographical and sector mix. While the Firm does not have concentration targets by geography (subject to such geographic caps, e.g. non-European / US investment limits, as may be included in the Organizational Documents of a particular PE Fund) and seeks to be sector agnostic, the Firm's investment committee comprised of a number of the Firm's Managing Partners (the “**PE Investment Committee**”) considers the exposure of the existing portfolio before making its recommendation to the manager, and will seek to avoid any excessive concentration.
- **Execution and Due Diligence** – BC Partners believes that strong execution and rigorous due diligence are critical elements to BC Partners maintaining its competitive advantage, which is achieved through: (i) finding sources of information through contacts, industry executives or specialized consultants; (ii) being more thorough and rigorous in analyzing



industry dynamics and key business drivers; (iii) spending more time in due diligence, typically starting well ahead of any formal sale process; and (iv) a full detailed review of every investment by the PE Investment Committee. BC Partners' disciplined approach to sourcing is important in filtering investment opportunities which are superficially attractive but ultimately do not satisfy BC Partners' Key Investment Criteria. Adherence to this approach limits the firm's appetite for investments in unusual or atypical situations such as start-ups or turnarounds and keeps the PE Investment Team focused on businesses that the deal team expects to perform strongly through economic cycles. BC Partners seeks to apply its execution and due diligence capabilities throughout the stages of the investment process and, in particular, in the areas of sourcing, building an angle, financing and structuring as well as exit planning.

- ***Value Creation*** – A critical element of BC Partners' strategy is creating value in its investments through an active and engaged approach to shareholding. While management teams are responsible for the day-to-day operations of a business, BC Partners remains an actively involved shareholder, with several members of the deal team typically holding seats on the board of directors. BC Partners' representatives provide guidance to the management team and, typically with the operations team, active support to structure and then execute the performance improvement programs. In all cases, BC Partners continuously monitors the progress of an investment against the business plan and the progress of improvement plans against the agreed target. Where significant gaps between actual and expected performance emerge, the broader team often plays an important role in helping managers execute corrective action.

Acting as a sounding board for the management team, BC Partners typically provides important input on material decisions affecting business strategy such as capital allocation, acquisitions and divestments, geographical expansion and changes to the management team. In selected cases, BC Partners will also source non-executive directors when this can help the board-level decision-making process or prepare an investment for an initial public offering ("**IPO**"). Increasingly, BC Partners provides management with access to an extensive network of CEOs, chairmen and industry experts to assist where and when relevant, and this is often done in collaboration with the operations team.

Since inception, BC Partners has maintained what it believes is an extremely rigorous investment process from sourcing through to exit. After an investment is completed, the same deal team continues to actively oversee and monitor each of the portfolio companies and evaluates and advises on the optimal exit process.

### **Credit Client Approach**

The Credit Business generally follows a similar investment process to the Private Equity Business and leverages access to the industry contacts and expertise of the Private Equity Business.

The Adviser's investment team for the Credit Clients (the "**Credit Investment Team**") follows a robust and structured investment process from sourcing through execution, monitoring and exit, utilizing standardized investment memos to reinforce investment discipline and support repeatable investment processes. Investment decisions will be made by a five-member investment committee ("**Credit Investment Committee**").

**Deal Sourcing.** The Credit Business' sourcing capabilities are supported by longstanding and well-established relationships across both the credit and private equity platforms with intermediaries, advisors, corporations, funds, financial institutions, sponsors, and management teams. The Credit Business' access to proprietary deal flow is strengthened by its integration with the Firm's private equity platform and the flow of information between the private equity and credit sides of the Firm. The Credit Business seeks to position itself as a solution provider for financial institutions and businesses with the ability to provide expertise in both financial structuring and value creation.

The Credit Business considers sourcing across four broad categories:

- **Platform** – Through integration with the Private Equity Business, the Credit Business will have access to information on over 200 opportunities that pass through the Private Equity Business deal flow pipeline each year. The Credit Business will have an opportunity to analyze this information for the purposes of primary deal flow, secondary debt purchases and industry insights. In certain cases, the optimal risk adjusted return profile of the opportunities reviewed by the Private Equity Business may be credit related and an opportunity that may not suit the Private Equity Business' requirements could be attractive to the Credit Business.
- **Systematic** – Includes traditional approaches to liquid credit such as screening to target attractive opportunities in the broad universe of publicly traded bonds and loans. An important part of the Credit Business investment process is industry sector mapping and proprietary screening to maximize efficiency and focus on the most actionable investment opportunities at any given time.
- **Market driven** – Driven by market or industry events which result in fundamental changes that drive asset prices and create opportunities. This is supported by the knowledge and expertise available through the Private Equity Business' portfolio company ownership which provides the Credit Business with in-depth and direct understanding of developments and trends across sectors and may provide Credit Business with the insight to see opportunities in sectors that competitors may miss.
- **Network and relationships** – In addition to the usual networks of legal and financial advisors and intermediaries, integration with the Private Equity Business platform and its 64 investment professionals across North America and Europe is anticipated to provide the Credit Business with access to the broad BC Partners network built up over 30 years of investing in the buyout space. This network includes CEOs, entrepreneurs, business founders, senior advisors and Operating Advisors with experience at the highest levels across a broad range of both sector and geographies. Access to the Private Equity Business'

network can help the Credit Business position itself as the partner of choice for businesses seeking not just financial support but knowledge and expertise to support and add value. Members of the Credit Investment Team have been active in the credit investing space for 12-15+ years and therefore have their own networks which will include intermediaries, advisors, corporations, funds, financial institutions, sponsors, and management teams.

**Initial Credit Review.** After an attractive and actionable investment opportunity has been identified, the Credit Investment Team will perform initial diligence which includes high level credit analysis and a more in-depth assessment of actionability. An initial investment idea and – as applicable – a preliminary set of deal terms along with a proposed potential structure will be determined and presented along with the initial diligence findings in a standardized investment memo.

**Full Credit Review.** Following approval from the Credit Investment Committee to continue to diligence a prospective investment, the Credit Investment Team will proceed to “Full Credit Review” which will include a detailed fundamental credit analysis and an absolute and relative risk/return assessment. An in-depth, private equity style fundamental analysis of the opportunity will be performed to allow the Credit Investment Team to assess the target’s intrinsic and future value.

**Monitoring.** Throughout the investment hold period the Credit Investment Team will perform ongoing monitoring to ensure the investment remains on track to achieve its return target. Formalized ongoing monitoring processes will include full quarterly portfolio reviews by the Credit Investment Committee, continuous assessments of fund-level risk-reward profiles and comprehensive scenario sensitivities.

**Value Creation.** As appropriate, the Credit Investment Team will engage with portfolio company management on value-add initiatives, with the support of its operations team and with access to the intellectual capital of the BC Partners’ Operating Advisor and CEO networks.

**Exit.** The Credit Investment Team will actively monitor the investment and market conditions to determine if an opportunity exists to exit an investment. When the Credit Investment Team determines the time is right to exit – either because the initial return target has been met, or because changing circumstances suggest that it may be appropriate to exit without having achieved the return target, the team will seek the approval of the Credit Investment Committee.

While the Adviser intends generally to apply the investment processes described in this brochure to the Credit Clients’ investments, the Credit Clients intend to pursue a wide variety of strategies (as described in the applicable Organizational Documents) and the Adviser may therefore modify or depart from the process described herein in order to achieve a Credit Client’s investment objectives.

### **Risk of Loss**

Investing in securities involves a substantial degree of risk. A PE Fund and Credit Client (together, the “**Clients**”) may lose all or a substantial portion of its investments, and Clients (and investors in the Clients) 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 Clients, include those discussed below. Many, but not all, of the risks and types of securities detailed below will apply to all Clients. However, the risk summary contained herein is intended solely as a summary and is not an exhaustive list of risks, and investors should review the applicable Organizational Documents for additional information and risk factors. Specific Risks relating to any SIF, Account, BDC or other Credit Client will be disclosed in the operating agreement or other disclosure documents relating to such SIF, Account, BDC or other Credit Client.

### *Risks Applicable to All Funds*

**Nature of Investment.** An investment in a Fund is speculative and requires a long-term commitment with no certainty of return. There can be no assurance that a Fund will achieve its investment objectives and returns generated by its investments may be insufficient to compensate investors adequately for the business and financial risks that are assumed. Interests in a Fund are not readily marketable and will not be listed on any investment exchange and a Fund’s investments will generally be of an illiquid nature. Investors may lose some or all of their invested capital and should not invest in a Fund unless they can readily bear the consequences of such loss. The performance of the portfolio companies in which a Fund invests, and therefore the value of its investments, will be subject to many factors over which such Fund may have limited or no control. There can be no assurances that any of the portfolio companies in which a Fund invests will succeed or that such Fund will be able to realize any of its investments. Investments may be difficult to value and realizations of such investments may take a significant period of time. Consequently, the timing of cash distributions to investors in a Fund is uncertain and unpredictable.

**Difficulty in Locating Suitable Investments.** Although the Adviser has been successful in identifying suitable investments in the past, a Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives, and the past performance of the Adviser in identifying suitable investments should not be treated as any guarantee of its ability to identify suitable investments in the future or its ability to implement its investment strategy and achieve its investment goals with respect to a Fund.

The success of each Fund will depend on the ability of the Adviser to locate, select, develop and realize appropriate investments. There is no guarantee that a Fund will be able to fully invest all of its capital and, accordingly, a Fund may only make a limited number of investments. Since these investments may involve a high degree of risk, poor performance by a few of them could significantly affect the return to investors. No assurance can therefore be given that the target returns of a Fund will be achieved.

The Adviser will expend significant resources and may incur significant costs in relation to a potential investment for a Fund. Such costs will be charged to such Fund and may not necessarily be recoverable, particularly if the Fund's bid for the investment is unsuccessful or if the investment is not completed in full for any other reason.

**Projections.** Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management. In all cases, projections are only estimates of future results that are based upon information received from the portfolio company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from such projections. Also, general economic factors (which are not predictable and are completely outside the control of the Adviser and its respective employees and affiliates) can have a material effect on the reliability and accuracy of projections.

**Competition.** The management buy-out, private equity investment and credit industries in which the Funds are engaged are competitive and the Funds will be competing for investments with other parties that engage in similar activities to those of the Funds as well as strategic buyers. It is possible that competition for appropriate investment opportunities may reduce the number of opportunities available and/or adversely affect the terms upon which the investments can be made. In addition, such competition may have an adverse effect on the length of time required to fully invest in a Fund.

Certain other strategic buyers and investors which compete for investment opportunities with a Fund may not be subject to the same regulatory requirements and other restrictions, with the result that such Fund may be at a relative disadvantage in pursuing and/or realizing certain investments. This could adversely affect the performance of such Fund.

A portion of a Fund's assets may be invested in companies in highly competitive markets dominated by firms with substantially greater financial and possibly better technical resources than the portfolio companies in which the Fund invests. Portfolio companies in which a Fund invests may operate in business sectors that face technological changes and/or may be dominated by other firms or organizations. These and other inherent business risks could affect the performance and value of investments.

**Holdings in Listed Companies.** A Fund's investment portfolio may contain securities issued by listed companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in unlisted companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times due to material non-public information, increased likelihood of shareholder litigation against such companies' board members, including members of the Adviser's Private Equity or Credit investment teams (collectively, the "**Investment Teams**"), and increased costs associated with each of the aforementioned risks.

**Disclosure of Confidential Information.** The Adviser and/or certain investors in a Fund may be required by law or otherwise to disclose certain confidential information relating to a Portfolio Investment of such Fund. Such disclosure may affect the ability of the Fund to realize its investment in such Portfolio Investment, may affect the price that the Fund is able to obtain upon any subsequent realization or may otherwise adversely affect the Fund.

Investors will have limited rights to information regarding a Fund and its Portfolio Investments. It is anticipated that the Adviser will at times obtain material information regarding Portfolio Investments that will not be disclosed to investors. As a result, an investor that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. It is expected that investors who designate representatives to participate on a Fund's advisory committee may, by virtue of such participation, have more information about such Fund and its Portfolio Investments in certain circumstances than other investors generally and may be disseminated information in advance of the communication of such information to other investors generally.

**Change of Law and Regulatory Risk.** Any changes in the tax laws or other regulations or laws of any applicable jurisdiction (or in the interpretation thereof, including pursuant to any guidance issued in respect of any such laws or regulations) could have an adverse impact on an investor's investment in a Fund or on a Fund or its investments or access to investment opportunities. Additional regulation could also increase the risk of third-party litigation.

Prior to making any investment, a thorough due diligence of compliance with statutory and corporate requirements by the Portfolio Investment will be done. However, due diligence processes involve subjective analysis and there can be no assurance that all material issues will be uncovered. Moreover, investment analyses and decisions by the Adviser may be undertaken on an expedited basis in order for a Fund to take advantage of available investment opportunities. In such cases, the information available to the Adviser at the time of the investment decision may be limited, and the Adviser may not have access to the detailed information necessary for a thorough evaluation of the investment opportunity. A Fund cannot certify that the Portfolio Investment is, and will continue to be, fully compliant with all necessary regulations. This risk is more significant in the case of unlisted companies.

Additionally, unlisted companies are not regulated by the same disclosure and investment protection norms that apply to listed companies. Also, changes in tax, legal and regulatory conditions, including changes in the application or interpretation of relevant laws and regulations, may adversely affect the marketability and financial performance of certain investments and/or could result in one or more portfolio companies being subject to increased compliance costs, additional capital expenditures or a requirement to divest certain assets, all of which in turn may affect the distributions which a Fund receives from such investments. Furthermore, it is unclear what further legal and regulatory changes may be implemented within the UK or in other jurisdictions in which a Fund or its portfolio companies operate, which changes may result in

increased costs and expenses being incurred by the respective Fund in order to ensure compliance with any new regime.

In addition, the Adviser may be subject to competition or other regulatory restrictions which arise as a result of investments held by other Funds it manages. Such restrictions may prevent or otherwise limit a Fund from proceeding with an investment opportunity where the acquisition of the relevant Portfolio Investment would result in a concentration of ownership and/or control by the Adviser and/or by such other Funds, or otherwise result in a breach of applicable competition or other regulatory restrictions. Such competition or other regulatory restrictions may reduce the number of investment opportunities available to a Fund or result in a Fund being unable to pursue certain elements of its investment strategy.

**Change to Regulation of Investment Partnerships.** There has been, and it is possible that there will be, further involvement of governmental and regulatory authorities in financial markets around the world. The Firm cannot predict whether new legislation or regulation (including new financial and tax measures, laws and regulations) will be enacted by legislative bodies or governmental agencies, nor can either of them predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have an adverse effect on a Fund's investment performance. In summary, regulation generally as well as regulation more specifically addressed to the private funds industry, including tax laws and regulation, could increase the cost of acquiring, holding or divesting of investments in portfolio companies, the profitability of enterprises and the cost of operating a Fund. There can be no assurance that any such enhanced scrutiny will not have an adverse impact on a Fund or not otherwise impede a Fund's activities.

**Financial Market Fluctuations.** General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments and the value of the investments held by the Funds. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the Funds' investments. For example, volatile market conditions can lead to significantly diminished availability of credit and an increase in the cost of fundraising, which can materially hinder the initiation of leveraged transactions. In addition, the ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. Volatility in the financial sector of the type experienced in 2008 may have a material adverse effect on the ability of the Funds to buy, sell and partially dispose of their portfolio company investments. Many private funds look to the public securities markets as a potential exit strategy, and there can be no assurance that Funds will be able to exit from their investments in portfolio companies by selling their securities in public markets, particularly in markets still experiencing significant volatility or illiquidity. It is possible that the trading market, if any, for the securities of any portfolio company will not be sufficiently liquid to enable a Fund to sell these securities when the Adviser believes it is most advantageous to do so or at prices that the Adviser believes reflect the fair value of such investments, or without adversely affecting the securities

price. The ability of portfolio companies to refinance debt securities will typically depend on their ability to sell new securities in the public high yield debt market or otherwise. There can be no assurance as to the market's liquidity and volatility. As a result of the foregoing, the Adviser may not be capable of, or successful at, preserving the value of Fund assets, generating positive investment returns or effectively managing Fund risks.

**UK Exit from the European Union.** The UK formally notified the European Council of its intention to leave the European Union ("EU") on March 29, 2017. After a number of iterations, the European Commission and the UK's negotiators reached agreement on the terms of the UK's withdrawal from the EU, and these terms have been approved by the UK and EU Parliaments. The UK formally left the EU on January 31, 2020 after which the UK entered the transition period specified in the withdrawal agreement, which is scheduled to end on December 31, 2020. During this period, it is expected that the majority of the existing EU rules will continue to apply in the UK.

The terms of UK's exit from the EU are still uncertain, including UK's access to the EU single market permitting the exchange of goods and services between the UK and the EU. The UK expects to agree a deal on a future relationship with the EU by the end of the transitional period but whether this is possible is subject to disagreement by leaders of certain EU member states.

The future application of EU-based legislation to the private fund industry in the UK will depend, among other things, on how the UK renegotiates its relationship with the EU. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK's exit from the EU may adversely affect both EU and UK-based businesses, including the Firm and Fund portfolio companies. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

**Co-investment.** In certain instances, a Fund may invest in portfolio companies alongside financial, strategic or other third-party co-investors. Investments alongside co-investors will involve additional risks which may not be present in investments where a co-investor is not involved, including the possibility that a co-investor or co-investors may have interests or objectives that are inconsistent with those of the relevant Fund or may be in a position to take actions contrary to such Fund's investment objectives or may suffer financial difficulties, including bankruptcy or otherwise default on their obligations in a manner that negatively affects the investment.

**Leverage.** The Funds and portfolio companies in which the Funds invest may incur leverage. Such portfolio company leverage generally increases both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which is difficult to forecast accurately. During the periods in which credit markets are unfavorable, it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants



on a company, in addition to the burden of debt service, and may impair the company's ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the effects of any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate declines in the value of a Fund's investments in such companies in a down market compared to an unleveraged investment. In the event that any portfolio company cannot generate adequate cash flows to meet debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which would adversely affect the returns of such Fund. Furthermore, should the credit markets be unfavorable at the time that a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the portfolio companies in which a Fund will invest will not generally be rated by a credit rating agency.

The securities in which a Fund invests will typically be among the most junior in a portfolio company's capital structure and thus subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once it has been made.

The Adviser will generally seek to adopt a capital structure for companies in which a Fund invests on the basis of financial projections for such companies. Projected operating results will normally be based primarily on management judgments albeit subjected to significant due diligence. In all cases, projections are only estimates of future results and are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained and actual results may vary significantly from the projections. General economic conditions, which are unpredictable, can have a material adverse impact on the reliability of projections.

**Subscription Lines.** A Fund may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant general partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Organizational Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively

impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the respective general partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors, as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement may contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant general partner's ability to consent to the transfer of a limited partner's interest in the Fund. In addition, in order to secure a subscription line, the relevant general partner may request certain financial information and other documentation from limited partners to share with lenders. The general partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the respective general partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant general partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when its general partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

**Loan Refinancings; Investments in Portfolio Entities.** A Fund may from time to time seek to participate in investments relating to (i) the refinancing of loan investments or portfolios held by certain other BC Partners vehicles (including the Adjacent Vehicles (as defined below)) and/or (ii) Portfolio Investments of one or more other BC Partners vehicles, including primary or secondary issuances of loans or other interests by such Portfolio Investments. While it is expected that the participation of a Fund in connection with any such transactions will be at arms' length and on market terms, such transactions may give rise to potential or actual conflicts of interest.

**Transfer and Withdrawal.** Interests in a Fund generally may not be sold, assigned or transferred without the prior written consent of the Adviser or its affiliates, which consent may be granted or withheld in its sole discretion. Furthermore, there are additional restrictions on the resale of interests in a Fund by investors who are located in the United States or who are U.S. persons (within the meaning of Regulation S under the Securities Act) and on the resale of interests in a Fund by any investor to any person who is located in the United States or is a U.S. person.

In addition, investors will generally be committed to a Fund for a long period of time, as set forth in each applicable Fund's Organizational Documents. An investor will normally be unable to withdraw from its participation in such Fund prior to the expiry of the applicable period.

**Reliance on the Adviser, the Investment Teams and Portfolio Company Management.** Although certain members of each of the PE and Credit Investment Teams have worked together, there can be no assurance that such persons will remain with the Adviser throughout the life of a Fund.

There can be no assurance that any members of the Investment Teams will continue to be employed by the Adviser, or to function on behalf of a Fund nor that suitable replacements will be found should they become incapacitated. As a result, a Fund's performance could be materially adversely affected.

The Investment Teams currently have certain responsibilities in respect of current Funds and may have responsibilities in respect of other Funds going forward. These activities will require a commitment of time and resources which might otherwise be devoted to their activities in respect of a Fund.

Control over the operation of a Fund will be vested entirely with the Adviser, and a Fund's future profitability will depend largely upon the business and investment acumen of the relevant Investment Team. Investors generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund will depend entirely on the actions of the Adviser. Although the Adviser will monitor the performance of each Portfolio Investment, it will primarily be the responsibility of each Portfolio Investment's management team to operate the portfolio company on a day-to-day basis. Although the PE Funds generally intend to invest in companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

As a Fund's Portfolio Investments will not be identified at the time such Funds are offered to prospective investors, prospective investors will not have an opportunity to review the Portfolio Investments and the terms of a Fund's investments prior to investing in such Fund. Investors will not have the opportunity to evaluate the relevant economic, financial and other information which will be utilized by the Adviser in selecting, structuring, monitoring and disposing of investments.

**Side Letters.** The Adviser may enter into a side letter or other similar agreement with a particular investor in connection with its admission to a Fund without the approval of any other investor in such Fund, which may have the effect of establishing rights under or supplementing the terms of the applicable Organizational Documents or otherwise providing a right or benefit with respect to

such investor in a manner more favorable to such investor than those applicable to other investors in such Fund. Such rights or terms in any such side letter or other similar agreement may include, without limitation: (i) rights relating to respective advisory committee (if applicable); (ii) rights relating to co-investment opportunities; (iii) economic provisions relating to platform or multi-fund investors; (iv) rights relating to the transfer of interests in the Fund; (v) excuse rights applicable to particular Fund investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such Fund's investments) or withdrawal and/or related rights with respect to the Fund generally in certain limited regulatory and/or policy related circumstances; (vi) rights relating to tax and regulatory reporting; (vii) representations and warranties relating to a particular point in time; (viii) rights relating to confidential information; or (ix) rights or terms necessary in light of particular legal, regulatory, tax or ERISA status or public policy characteristics of an investor or to administrative or operational or written policy requirements applicable to an investor.

**Litigation Risk.** The financial performance of the Portfolio Investments in which a Fund invests may be affected from time to time by litigation such as contractual claims, occupational health and safety claims, public liability claims, environmental claims, industrial disputes, tenure disputes and legal action from special interest groups. Such litigation could materially reduce the value of a Fund's investments. The performance of a Fund may also be affected in the event that litigation is commenced against the Adviser, which litigation may restrict the Adviser from performing its functions and duties in relation to such Fund.

**Risks Arising from AIFMD.** Certain of the Funds are expected to (1) be established and/or marketed in selected jurisdictions across the EU and (2) engage in investment and other activities in the EU. As a result, the Adviser will be subject to certain requirements and restrictions under the European Union Alternative Investment Fund Manager Directive ("AIFMD") that have the potential to adversely affect investment and other activities of such Funds. For example, restrictions on early distributions or reductions in capital in respect of EU-based portfolio companies (so-called "asset-stripping" rules) may limit the use of certain investment and realization strategies, such as dividend recapitalizations and reorganizations by a Fund and/or underlying investment funds. Certain competitors of a Fund may not be subject to such requirements and restrictions, with the result that such Fund may be at a relative disadvantage in pursuing or realizing certain investments. This could adversely affect the performance of such Fund.

**Uncertain Economic, Social and Political Environment.** Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, virus or disease epidemics or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire

businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio companies.

**Risk of Counterparty Default.** There is a risk that counterparties may default on their contractual obligations to a Fund or its investments. Any such counterparty default would likely have an adverse effect on the value of the investments and on the returns to investors.

**Bridge Financing.** A Fund may provide bridge financing to facilitate portfolio company investments. It is possible that all or a portion of a bridge financing will not be recouped within the time period specified in the applicable Fund's Organizational Documents, in which case the investment would be treated as a permanent investment of the Fund. As a result, a Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the respective Fund's investment limitations, certain of which exclude bridge financing investments.

**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 Funds and their 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. In addition, the Adviser may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation.

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

**Valuation of Assets.** Certain assets of a Fund may not be actively traded and the fair market value may not be readily ascertainable. When estimating fair value, the Adviser will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Adviser. However, 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. With respect to the Funds, the exercise of discretion in valuation by the Adviser may give rise to conflicts of interest, valuations impact the Adviser's track record and the performance allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect the amount and timing of performance fees and calculations of Advisory Fees.

**Limited Access to Information.** Limited partners' rights to information regarding a Fund, the relevant general partner or the Adviser generally will be specified, and in many cases strictly limited, by the applicable Organizational Documents. In particular, it is anticipated that the Adviser and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of the Adviser's control. Decisions by the Adviser or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor the Adviser and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a respective Fund's advisory board (if applicable) generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and the Adviser reserves the right to withhold certain information from investors subject to such laws for reasons relating to the Adviser's public reputation, business strategy or other reasons.

**Unfunded US Pension Liabilities of Portfolio Companies.** Certain court decisions in the US have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Firm intends to manage each Fund's investments to minimize any such exposure, a Fund may, from time to time,

invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If such Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

## **Risks Applicable to Credit Funds**

**New Business Initiative; Limited Operating History.** Although the investment professionals of the general partners and the Adviser have substantial credit-oriented investment experience generally (including, in certain instances, at their prior firm(s)), the Credit Funds, the Adviser and the general partners of the Credit Funds are newly formed entities with limited operating history upon which to evaluate a Credit Fund's likely performance. The sponsoring of a Credit Fund represents a recent business initiative for the Adviser and there can be no assurance that it will be successful. Members of the Investment Team have not previously worked together at the Adviser prior to the formation of the first Credit Fund. Accordingly, each Credit Fund is subject to the business risks and uncertainties associated with new business lines and new investment professionals, including the risks that there can be no assurances that the Credit Investment Team will be able to implement any Credit Fund's strategy, achieve a Credit Fund's investment objectives, find investments that fit a Credit Fund's investment criteria or avoid substantial losses. The past performance of any member of the Credit Investment Team and/or Adviser's investment activities generally is not a reliable indicator of the future performance of a Credit Fund and there can be no assurance that similar results will be achieved.

**Flexible Opportunistic Credit-Oriented Strategy.** While a Credit Fund is expected to seek to make credit-oriented investments on an opportunistic basis utilizing a variety of investment techniques and structures, the Adviser will implement on behalf of a Credit Fund whatever strategies or discretionary approaches it believes from time to time may be best suited to prevailing credit market conditions in furtherance of that purpose, subject to the limitations set forth in the applicable Organizational Documents. There can be no assurance that the Adviser will be successful in implementing any particular aspect of a Credit Fund's credit-oriented opportunistic investment strategy or that it will be able to effectively achieve the applicable Credit Fund's trading or investment activities. Furthermore, a Credit Fund's investment strategies may evolve over time and/or involve risks that are not described in the Organizational Documents of the applicable Credit Fund, which could prove substantial and impact the Credit Fund's investment program.

**Competition for Credit Investment Opportunities.** Competition in the credit markets generally, and in the market for investing in private credit in regions such as the U.S. and Europe in particular, has increased significantly over recent years as investors continue to search for attractive risk-adjusted returns in a low yield global credit environment. Continued low interest rates have created a shift in capital mobility towards fixed income instruments and credit investments in the U.S., which has increased competition for investment opportunities and which may adversely impact the ability of a Credit Fund to capitalize on attractive investment opportunities (and/or obtain favorable pricing with respect thereto). Accordingly, while the Adviser believes that investing in opportunistic credit remains an attractive strategy, there is significant competition for attractively priced investments that may impact a Credit Fund's ability to locate, complete and exit attractive credit-oriented investments.

**Event-Driven and Special Situations.** As part of an opportunistic credit-oriented investment strategy, certain Credit Funds may pursue "event-driven" strategies and special situation investing and are expected to invest in securities, instruments and other obligations of companies or issuers in special situations that involve significant financial or business activities such as recapitalizations, spin-offs, restructurings, reorganization, bankruptcy, litigation, corporate control transactions and other corporate events, which may involve financial distress or otherwise relate to "stressed" credit instruments (as described below). Although such investments may result in significant returns to a Credit Fund, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in such investments is high. There is no assurance that a Credit Fund will correctly evaluate the value of such investments or the prospects for a successful reorganization or similar action in respect of any company. In any reorganization, liquidation proceeding or other corporate activity involving special situations in respect of a company or issuer in which a Credit Fund invests, the Credit Fund may lose its entire investment, may be required to accept cash or securities or assets with a value less than the Credit Fund's original investments and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from that investment may not compensate the limited partners of such Credit Fund adequately for the risks assumed. Troubled company investments and other distressed or special situation investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the general partner of the applicable Credit Fund or the Adviser. To the extent that the general partner or the Adviser becomes involved in such proceedings, a Credit Fund may have a more active participation in the affairs of the company than that assumed generally by an investor. In addition, involvement by the Adviser in a company's reorganization proceedings could result in the imposition of restrictions limiting a Credit Fund's ability to liquidate their position in the relevant issuer or investment.

In the case of certain event-driven investments, the price offered for securities of a company or issuer involved in a corporate transaction (including an announced deal) can generally represent a significant premium above the prevailing market price. Therefore, the value of such securities held



by a Credit Fund may decline in the event the proposed transaction is not consummated and if the market price of the securities returns to a level comparable to the price prior to the announcement of any such corporate transaction. Furthermore, the difference between the price paid by the Credit Fund for securities of a company involved in a corporate transaction (including an announced deal) and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be very small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline.

**Dislocated Structured Credit; Regulatory Capital Investments.** The Credit Funds expect to capitalize on credit-oriented investment opportunities which may arise as a result of the dislocation of credit markets and/or lenders' balance sheet pressures, such as primary and secondary structured products, regulatory capital relief and mortgage servicing rights. The value of such investments can be subject to fluctuations when capital markets are dislocated as a result of volatility in such markets. The valuation of investments is more subjective when markets are illiquid and may increase the risk that the estimated fair value of an Investment is not reflective of prices at which actual transactions would occur. Furthermore, changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in decreased regulatory capital requirements in the case of banks or similarly regulated entities, which may in turn (1) increase competition for attractively priced investments and (2) reduce the number of attractive investment opportunities available to a Credit Fund arising from current regulatory capital requirements (e.g., the need for banking institutions to divest certain assets and debt instruments to meet their regulatory capital requirements).

**Diversification.** The Organizational Documents of a Credit Fund may contain restrictions with respect to the diversification of the applicable Credit Fund's investments. For example, in certain Credit Funds, not more than 20% of the aggregate capital commitments may be invested at any time in investments issued by a single issuer (other than in the case of investments in structured products/pools and/or designated bridge investments as more fully set forth in the applicable Organizational Documents). Other than the restrictions set forth in the applicable Organizational Documents, the general partner of a Credit Fund may allocate a Credit Fund's capital among the investments as it determines in its sole discretion, subject to the goal of maximizing the returns of all limited partners of the Credit Fund, and investors will have no assurances with respect to the diversification or geographic concentration of the Credit Fund's investment program. As such, the aggregate return of a Credit Fund may be dependent on a handful of investments (and, therefore, may be adversely affected by the unfavorable performance of even a single investment). In the event a Credit Fund invests in structured products or pools of loans, the diversification limitations set forth in the applicable Organizational Documents will be applied separately to each underlying issuer and/or borrower comprising such structured product or pool. Further, investments made with a view towards syndication, including designated bridge investments, will not be subject to the diversification limitations in the applicable Organizational Documents. For

investments where a general partner intends to sell down, syndicate or refinance all or a portion of the capital invested (including, without limitation, designated bridge investments), there is a risk that such sell down or refinancing may not be completed. The foregoing may result in a Credit Fund being concentrated in a smaller number of investments and/or underlying issuers than desired and could result in lower overall returns. To the extent a Credit Fund concentrates investments in a particular issuer, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular issuer or region. These risks may be further pronounced in cases where an investment is secured by a relatively small or less diverse pool of underlying loans or real estate assets. Default risks may be further pronounced in the case of investments in debt instruments (or pools thereof) relating to a single or small number of issuers or loans relating to a specific geographic region, thereby increasing a Credit Fund's concentration risk with respect thereto.

**Leveraged Yield Strategies.** Certain Credit Funds expect to utilize leverage as part of their investment program, including as a means of increasing returns to investors. Leverage may take the form of borrowing at the Credit Fund-level or investment-level, asset-backed borrowing, repurchase agreements, reverse repurchase agreements, trading on margin, synthetic instruments, among others. The use of leverage creates opportunity for greater total returns, but at the same time involves an increase in the risk of loss among other risks. For additional information on the risks associated with the use of leverage, see "*Leverage*" above.

**Structured Products.** As part of an opportunistic credit-oriented investment strategy, a Credit Fund will invest from time to time in structured products, including CLOs and other pools of loans. A Credit Fund's investments in structured products will be subject to a number of risks, including risks related to the fact that the structured products will be leveraged. Many structured products contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of a Credit Fund's investment therein. In addition, if the particular structured product is invested in a security in which a Credit Fund is also invested, this would tend to increase the Credit Fund's overall exposure to the credit of the issuer of such securities. The value of an investment in a structured product will depend on the investment performance of the underlying assets or interests in which the structured product invests and will, therefore, be subject to all of the risks associated with an investment in those underlying assets or interests. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors under applicable law. Any such structured products may include one or more underlying issuers in which one or more of the Adviser's other investment funds, investment vehicles and/or accounts have or subsequently acquire an interest, including portfolio companies of the other Funds. In addition, in the case where a Credit Fund invests in structured products (including CLOs and other pools or portfolios of loans and credit instruments), the diversification limitations set forth in the applicable

Organizational Documents of such Credit Fund will be applied separately to each underlying issuer and/or borrower comprising such structured product. This may result in concentration of a Credit Fund's investments in a limited number of structured products or issuers and the Credit Fund will be permitted to invest in structured products in excess of its diversification limitations, which may increase the overall risk/concentration of a Credit Fund's investment portfolio.

**“Mezzanine” Lending and Subordinated Debt.** A Credit Fund is expected to invest from time to time in “mezzanine” loans, privately held credit and other debt instruments that may be subordinated or otherwise junior in an issuer's and/or borrower's capital structure. To the extent a Credit Fund invests in subordinated debt or “mezzanine” debt investments, such investments and the Credit Fund's remedies will be subject to the rights of holders of more senior tranches in an issuer's capital structure and, to the extent applicable, contractual inter-creditor, co-lender and/or participation agreement provisions. Moreover, the ability of a Credit Fund to influence an issuer's affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors.

Investments in subordinated debt (including junior and “mezzanine” debt, and junior tranches of structured credit products) involve greater credit risk of default and loss than the more senior classes of or tranches of debt and absorb losses from default before other more senior tranches of such instruments (or structured credit products), particularly if such instruments (or securities) have been issued with little or no credit enhancement or equity. As a result, to the extent a Credit Fund invests in subordinate debt instruments, the Credit Fund must bear the risk of losses or defaults before more senior lenders.

**Discounted/Undervalued Investments.** A Credit Fund's investment strategy with respect to certain types of investments may be based, in part, upon the premise that certain investments (either held directly or through a CLO (defined below)) that are otherwise performing may from time to time be available for purchase by the Credit Fund at “undervalued” prices. Purchasing interests at what may appear to be “undervalued” or “discounted” levels is no guarantee that these investments will generate attractive risk-adjusted returns to any Credit Fund or will not be subject to further reductions in value. No assurance can be given that investments can be acquired or realized at favorable prices or that the market for such interests will continue to improve since this depends, in part, upon events and factors outside the control of the general partner of a Credit Fund and the Adviser.

**Hedging Policies/Risks.** A Credit Fund may (but is not required to) utilize a wide variety of derivative financial instruments for risk management purposes. The successful utilization of hedging and risk management transactions requires skills that are separate from the skills used in selecting and monitoring investments, and such transactions may entail greater than ordinary

investment risks. Additionally, costs related to hedging arrangements will be borne by the applicable Credit Fund. There can be no assurance that any such hedging transactions will be effective in mitigating risk in all market conditions or against all types of risk (including unidentified or unanticipated risks or where the Adviser does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of engaging in hedging), thereby resulting in losses to the Credit Fund. Engaging in hedging transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transaction, and the Adviser may not be able to effectively hedge against, or accurately anticipate, certain risks that may adversely affect a Credit Fund's investment portfolio.

**Equity and Equity-Like Investments.** As part of an opportunistic credit-oriented investment strategy, a Credit Fund is expected to also invest in structured and/or preferred equity interests, convertible securities, warrants and otherwise in securities that have equity-like features and may otherwise end up owning equity securities as part of making or owning a debt instrument (e.g., in the case of foreclosure). Any equity interest owned by a Credit Fund will generally rank junior to all existing and future indebtedness, including commercial mezzanine loans and senior debt. Further, in the event of a bankruptcy, liquidation, reorganization or other winding-up with respect to an issuer in which a Credit Fund holds an equity interest, the Credit Fund will bear a risk of loss of principal as such interests are not generally secured.

**Market/Interest Rate Fluctuations.** In respect of any Credit Clients, general fluctuations in credit prices/spreads, valuations, and/or interest rates may adversely affect the value of a Credit Client's Portfolio Investments. The ability of Portfolio Investments to repay debt obligations (including making payments to a Credit Client as a creditor with respect thereto) and/or to refinance debt instruments may depend on their ability to obtain financing. Interest rate changes may also affect the value of a debt instrument directly or indirectly. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price.

Any deterioration of the global debt markets (particularly the U.S. and European debt markets), any possible future failures of certain U.S. and European companies and/or increases in interest rates, taxes and/or market risk and credit spreads may adversely affect a Credit Client's ability to generate attractive risk-adjusted investment returns.

Any downturn in the U.S., EU and global economies may also adversely affect the financial resources and credit quality of the underlying issuers of any debt instruments in which a Credit Client may invest, resulting in the inability of such issuers to make principal and interest payments on, or refinance, outstanding debt obligations when due. Any such defaults may have an adverse effect on a Credit Client's Portfolio Investments. The foregoing factors and market conditions

may also have an adverse impact on the availability of credit to businesses generally, which in turn may adversely affect or restrict the ability of a Credit Client to sell or liquidate Investments at favorable times or at favorable prices or which otherwise may have an adverse impact on the business and operations of such Credit Client.

**Syndication Risks.** A Credit Fund expects to acquire and/or originate loans and/or other debt instruments (or pools thereof) with the intention of syndicating to third parties all or a portion of its Investment following the initial signing or consummation thereof (including in connection with designated bridge investments). Investments made with a view towards syndication, including designated bridge investments, will not be subject to the diversification limitations in the Organizational Documents of the applicable Credit Fund, which would be expected to increase the overall concentration of the Credit Fund's investment portfolio in a relatively small number of investments and issuers. There can be no assurance that any intended syndication will be completed in whole or in part, and/or that the terms thereof will be advantageous to any Credit Fund, which may adversely affect the performance of such Portfolio Investment. Any failure to syndicate such loans and/or other interests would similarly be expected to increase the concentration of a Credit Fund's investment portfolio and its susceptibility to adverse changes in the performance and/or creditworthiness of a small number of investments or issuers.

**“Spread Widening” Risks.** For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances, deterioration in certain segments of the credit markets, or other forces), the prices of instruments in which a Credit Fund invests may decline substantially and credit spreads may widen. It may not be possible to predict, or to hedge against, such “spread widening” risk.

**Investments in Less Established Companies.** As part of an opportunistic credit-oriented investment strategy, certain Credit Funds may invest in securities and interests of less established portfolio companies. Investments in such early stage companies may involve greater risks than generally are associated with investments in more established companies, including the potential for more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalisations and fewer resources and, therefore, often are more vulnerable to financial failure, competitors' actions and marked conditions. Such companies tend to have shorter operating histories by which to judge performance and, in many cases, have negative cash flow. The above challenges increase the risk of these companies defaulting on their obligations.

**Derivatives.** A Credit Fund may invest in derivative instruments. Investing in derivative instruments presents various risks, including lack of liquidity and risks of purchasing outside of an exchange. The prices of derivative instruments, including swaps, futures, forwards, options and

warrants, are highly volatile and such instruments may subject a Credit Fund to significant losses. A Credit Fund may buy or sell call options, put options and other derivatives on a “covered” or “uncovered” basis. Such derivatives and other customized instruments also are subject to the risk of non-performance by the relevant counterparty. Derivative instruments that may be purchased or sold by a Credit Fund may include instruments not traded over-the-counter or on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which a Credit Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. Such over-the-counter derivatives are also subject to types and levels of investor protections or governmental regulation that may differ from exchange traded instruments.

In respect of options, when a Credit Fund sells (“writes”) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying investment above the exercise price. The risk is theoretically unlimited unless the option is “covered.” The instruments necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, or only available at much higher prices, thereby reducing or eliminating the value of the premium received. Purchasing instruments to cover the exercise of an uncovered call option can cause the price of the instruments to increase, thereby exacerbating the loss. If the option is covered, a Credit Fund would forego the opportunity for profit on the underlying investment should the market price of the investment rise above the exercise price. If the price of the underlying investment were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss a Credit Fund might suffer as a result of owning the investment.

In addition, the Adviser may cause a Credit Fund to take advantage of investment opportunities with respect to derivative instruments that are neither presently contemplated nor currently available, but which may be developed in the future, to the extent such opportunities are both consistent with a Credit Fund’s investment objectives and legally permissible. Any such investments may expose a Credit Fund to unique and presently indeterminate risks, the impact of which may not be capable of determination until such instruments are developed and/or the Adviser determines to make such an investment on behalf of the Credit Fund.

**Secured Loans and Bank Debt.** As part of an opportunistic credit-oriented investment strategy, a Credit Fund is expected to invest in secured loans and secured bank debt. The factors affecting an issuer’s secured loans and/or such bank debt and related capital structures are complex. Not all secured loans or bank debt have priority over all other unsecured debt of an issuer. Secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of the underlying assets selected as collateral may allow a Credit Fund to withstand certain assumed deficiencies in payments occasioned by the borrower’s default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be

sufficient to satisfy the amount of principal and interest owing to the Credit Fund in respect of its investment.

Senior secured credit facilities are generally syndicated to a number of different financial market participants. The documentation governing such facilities typically requires either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the credit, such as waivers, amendments, or the exercise of remedies. As a result of these voting regimes, a Credit Fund may not have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of debts owed to the Credit Fund.

Debt securities are also subject to other risks, including (i) the possible invalidation of a debt or lien as a “fraudulent conveyance”, (ii) the recovery as a “preference” of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing, (iii) equitable subordination claims by other creditors, (iv) “lender liability” claims by the issuer of the obligations and (v) environmental or other liabilities that may arise with respect to collateral securing the obligations. Decisions in bankruptcy cases have held that a secondary loan market assignee can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either (a) received and did not return a preference or fraudulent conveyance or (b) engaged in conduct that would qualify for equitable subordination.

A Credit Fund’s investments may be subject to early redemption features, refinancing options, prepayment options or similar provisions that, in each case, could result in the issuer repaying the principal on an obligation held by the Credit Fund earlier than expected. As a consequence, a Credit Fund’s ability to achieve its investment objective may be adversely affected.

**Capital Structure Arbitrage.** In certain circumstances, the execution of certain aspects of a Credit Fund’s investing strategy involves the ability of the Adviser to identify and exploit the relationships between movements in different securities and instruments within an issuer’s or borrower’s capital structure (e.g., senior bank debt, second liens, debt securities and other obligations, convertible and non-convertible senior and subordinated debt, preferred equity and common stock). Identification and exploitation of these opportunities involve uncertainty. In the event that the perceived pricing inefficiencies underlying an issuer’s securities or instruments were to fail to materialize as expected by the Adviser, a Credit Fund could incur a loss.

**Risks Related to Rating Agencies.** As part of an opportunistic credit-oriented investment strategy, a Credit Fund may invest in debt securities that have been rated by nationally recognized rating organizations. In general, the ratings of these organizations represent the opinions of such agencies as to the quality of investments that they rate. Such ratings are relative and subjective and

are not statements of fact; they are not absolute standards of quality and do not evaluate the market value risk of the investments that are rated. Therefore, there can be no assurance that any such rating will accurately quantify risk. Such agencies may change their method of valuation of, and the ratings of, securities held by a Credit Fund at any time. The sale price of debt securities may be highly correlated with the rating such debt securities receives from the rating agencies. If an existing investment of a Credit Fund is downgraded, the value of such investment may be adversely affected which in turn may adversely affect the returns to limited partners of the applicable Credit Fund.

**Expedited Transactions.** In light of the debt-oriented focus of a Credit Fund's investment program, investment analyses and decisions by the general partner of a Credit Fund and the Adviser may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the general partner of a Credit Fund and the Adviser at the time of making an investment decision may be limited, and they may not have access to detailed information regarding the investment. Therefore, no assurance can be given that the general partner of a Credit Fund and the Adviser will have knowledge of all circumstances that may adversely affect an investment. In addition, the general partner of a Credit Fund and the Adviser expect to often rely upon independent consultants in connection with its evaluation and/or diligence of certain proposed investments. No assurance can be given as to the accuracy or completeness of the information provided by such independent consultants and a Credit Fund may incur liability as a result of such consultants' actions.

**High Yield.** As part of an opportunistic credit-oriented investment strategy, a Credit Fund may invest in "high yield" bonds that are rated in the lower rating categories, including non-investment grade, 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 issuer'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.

**Stressed Credits; Default Risk; Restructurings and Bankruptcy.** The opportunistic credit-oriented investment program of a Credit Fund will include making stressed credit investments and may involve distressed investments and/or investments that become "non-performing" after the acquisition thereof. During an economic downturn or recession, stressed credits are more likely to go into default than securities of other issuers not experiencing financial stress. Securities of stressed credits are also less liquid and more volatile than securities of companies not experiencing financial difficulties, often involving a higher degree of credit and market risk. The success of a Credit Fund's investment strategy may depend, in part, on the ability of the general partner of the



applicable Credit Fund and the Adviser to effectuate loan modifications and/or restructure and improve the operations of Portfolio Investments. The activity of identifying and implementing any such restructuring programs and operating improvements entails a high degree of uncertainty. There can be no assurance that the general partner of the applicable Credit Fund and the Adviser will be able to successfully identify and implement such restructuring programs and improvements. These financial difficulties may never be overcome and may cause Portfolio Investments to become subject to bankruptcy or other similar administrative proceedings. Furthermore, bankruptcy laws and similar laws applicable to administrative proceedings may delay the ability of the general partner of the applicable Credit Fund and the Adviser to realize on collateral for loan positions held by a Credit Fund or may adversely affect the priority of such loans through doctrines such as equitable subordination or may result in a restructure of the debt through principles such as the “cramdown” provisions of the bankruptcy laws.

**Distressed Investments.** As part of an opportunistic credit-oriented investment strategy, a Credit Fund may invest in distressed situations from time to time (e.g., investments in defaulted, out-of-favor or distressed bank loans and debt securities) or may involve investments that become “non-performing” following the Credit Fund’s acquisition thereof. Certain of a Credit Fund’s investments will therefore include specific securities of companies or other entities that typically are highly leveraged, with significant burdens on cash flow, and therefore involve a high degree of financial risk. Investments may include (i) capital infusions to companies facing liquidity issues or significant debt maturities, (ii) capital to finance operations or growth for companies facing a cyclical downturn, non-recurring losses or contractual issues, (iii) capital infusions or debtor-in-possession financings to companies in bankruptcy, (iv) financing for acquisitions of businesses, frequently from distressed sellers or assets that are non-core to the seller or (v) businesses facing capital structure, cyclical or operational distress. A Credit Fund may also make “rescue” financings ranging from secured debt to equity infusions. In addition, a Credit Fund may also selectively pursue the acquisition of fulcrum securities / loan-to-own debt purchases as a means to gain control of assets upon a restructuring. The securities of portfolio entities described in this paragraph may be considered speculative, and the ability of such companies to pay their debts on schedule could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments within such companies. Investments in companies operating in workout or bankruptcy modes also present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high. There is no assurance that the general partner of the applicable Credit Fund and the Adviser will correctly evaluate the value of the assets collateralizing a Credit Fund’s loans or the prospects for a successful reorganization or similar action.

**Risks of Acquiring Non-Performing Debt Instruments, Loans and Participations.** A Credit Fund may from time to time invest in non-performing or under-performing credit instruments,

loans and other debt investments. A Credit Fund may also invest in credit instruments and loans that, when acquired, are performing but which subsequently become non-performing. This may occur for a variety of reasons, including financial or operational distress of an underlying issuer or with respect to the underlying collateral or in the event of a bankruptcy. Such non-performing instruments or loans may require a substantial amount of workout negotiations, restructuring or bankruptcy filings which may entail, among other things, a substantial reduction in the interest rate, deferral of payments and/or a substantial write-down of the principal of a loan or conversion of some or all of the debt to equity. It is possible that the general partner of the applicable Credit Fund and the Adviser may find it necessary or desirable to foreclose on collateral securing one or more real loans purchased by a Credit Fund. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions, which often prolongs and complicates an already difficult and time-consuming process. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and payments of its pre-petition debt, and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

**Asset-Backed Securities.** As part of an opportunistic credit-oriented investment strategy, a Credit Fund may invest in asset-backed securities and other structured products, which are securities and instruments backed by mortgages, including CMBS, trade claims, installment sale contracts, credit card receivables or other assets and which include collateralized debt obligations. The investment characteristics of asset-backed securities (“ABS”) differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. ABS are not secured by an interest in the related collateral. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor. ABS are often backed by pools of any variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market’s perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement. In addition, investments in subordinated ABS involve greater credit risk of default than the senior classes of the issue or series. Certain subordinated securities absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement equity.

Such securities, therefore, possess some of the attributes typically associated with equity investments.

**CLOs.** As part of an opportunistic credit-oriented investment strategy, a Credit Fund may invest in pools and/or tranches of Collateralized Loan Obligation (“CLO”) products (including “equity” or residual tranches) and other securitizations, which are generally limited recourse obligations of the issuer payable solely from the underlying assets of the issuer or proceeds thereof. Consequently, holders of equity or other securities issued by these issuers must rely solely on distributions on its underlying assets or proceeds thereof for payment in respect thereof. The underlying assets of issuers of CLOs may include, without limitation, broadly-syndicated leverage loans, middle-market bank loans, collateralized debt obligation (“CDO”) debt tranches, trust preferred securities, insurance surplus notes, asset-backed securities, mortgages, REITs, high-yield bonds, mezzanine debt, second-lien leverage loans, credit default swaps and emerging market debt and corporate bonds, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks, and may also include assets and/or properties that are owned, directly or indirectly, by one or more other BC Partners vehicles. The aggregate return on CLO equity securities will depend in part upon the ability of each investment manager to actively manage the related portfolio of the assets of such issuers of CLOs.

**Non-Controlling Investments; Third-Party Involvement.** A Credit Fund may hold debt obligations of issuers as part of a “club” deal, may hold a minority interest in any facility or tranche with respect to such debt obligations and will generally otherwise hold non-controlling interests in portfolio entities. Similarly, a Credit Fund may co-invest with third parties through joint ventures, other entities or similar arrangements, thereby acquiring non-controlling interests in certain investments. In such cases, the Credit Fund will be significantly reliant on the existing management, board of directors and other shareholders of such companies, which may include representation of other financial investors with whom the Credit Fund is not affiliated and whose interests may conflict with the interests of the Credit Fund. Moreover, such investments may involve risks such as the possibility that a third party partner or co-venturer may have financial difficulties resulting in a negative impact on such Investment, may have economic or business interests or goals that are inconsistent with those of a Credit Fund, may be in a position to take (or block) action in a manner contrary to the Credit Fund’s investment objectives, or the increased possibility of default, diminished liquidity or insolvency by the third party partner or co-venturer due to a sustained or general economic downturn. In addition, a Credit Fund may in certain circumstances be liable for the actions of its third-party partners or co-venturers. Investments made with third parties in joint ventures or other entities also may involve compensation arrangements including carried interests and/or other fees payable to such third-party partners or co-venturers, particularly in those circumstances where such third-party partners or co-investors include a management group.

**Incurrence of Indebtedness.** The Credit Funds expect to utilize leverage as part of their investment program. The use of leverage involves a high degree of financial risk and will increase the exposure of the Portfolio Investments to adverse economic factors such as rising interest rates, downturns in the economy or further deteriorations in the credit markets generally, as more fully described above. Although borrowings by a Credit Fund have the potential to enhance overall returns that exceed such Credit Fund's cost of funds, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Credit Fund's cost of funds. As a result, the possibilities of profit and loss are increased. Borrowing money to take positions provides a Credit Fund with the advantages of leverage, but exposes it to greater market risks and higher current expenses. In addition, borrowings by a Credit Fund may be secured by the capital commitments of the limited partners of the applicable Credit Fund as well as by such Credit Fund's assets. If a Credit Fund defaults on secured indebtedness, the lender may foreclose and such Credit Fund could lose its entire investment in the security for such loan. The exercise by the lenders of their drawdown right under a subscription credit facility (if applicable) would reduce the amount of capital otherwise available to a Credit Fund for making investments and may negatively impact the Credit Fund's ability to make investments or achieve its investment objectives. Limited partners of a Credit Fund may be required to execute an investor acknowledgement for the benefit of the lenders under the subscription credit facility and may be required to acknowledge their obligations to pay their share of indebtedness up to their unfunded capital commitment. Leverage also presents significant tax considerations and risks as described elsewhere herein.

A Credit Fund may incur indebtedness and/or guarantees with one or more other BC Partners vehicles, on a joint and several or cross-collateralized basis (which may be on an investment-by-investment or portfolio wide basis). While such arrangements may be joint and several with respect to a Credit Fund, such arrangements may not necessarily impose reciprocal joint and several obligations on such vehicles. As a result of the incurrence of indebtedness on a joint and several or cross-collateralized basis, a Credit Fund may be required to contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such vehicles are unable to repay their pro rata share of such indebtedness. Moreover, a Credit Fund could also lose its interests in performing Portfolio Investments in the event such performing Portfolio Investments are cross-collateralized with poorly performing or non-performing Portfolio Investments.

#### *Risks Applicable to the BDC*

Many, but not all, of the risks detailed above in this Item 8 will also apply to the BDC. To the extent the risks in this section are inconsistent with the risks detailed above, the risks in this section will govern with respect to the BDC. The risk summary contained herein is intended solely as a summary and is not an exhaustive list of risks, and investors should review the Organizational Documents relating to the BDC for additional information and risk factors.

**The Adviser has limited prior experience managing a business development company or a RIC.** The Adviser has limited experience managing a business development company or a

regulated investment company (“**RIC**”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “**Code**”), and may not be able to successfully operate the BDC’s business or achieve the BDC’s investment objective. As a result, an investment in the BDC’s shares of common stock may entail more risk than the shares of common stock of a comparable company with a substantial operating history.

The 1940 Act and the Code impose numerous constraints on the operations of business development companies and RICs that do not apply to the other types of investment vehicles previously managed by the Adviser’s management team. For example, under the 1940 Act, business development companies are required to invest at least 70% of their total assets primarily in securities of qualifying U.S. private or thinly-traded public companies. Moreover, qualification for RIC tax treatment under Subchapter M of the Code requires, among other things, satisfaction of source-of-income and other requirements. The failure to comply with these provisions in a timely manner could prevent the BDC from qualifying as a business development company or RIC or could force it to pay unexpected taxes and penalties, which could be material. The Adviser’s limited experience in managing a portfolio of assets under such constraints may hinder its ability to take advantage of attractive investment opportunities and, as a result, achieve the BDC’s investment objective.

**The BDC’s Board of Directors may change the BDC’s operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse to its results of operations and financial condition.** The board of directors (“**Board of Directors**”) of the BDC has the authority to modify or waive the BDC’s current operating policies, investment criteria and strategies without prior notice and without stockholder approval. The BDC cannot predict the effect any changes to the BDC’s current operating policies, investment criteria and strategies would have on the BDC’s business, net asset value, operating results and value of the BDC’s stock. However, the effects might be adverse, which could negatively impact the BDC’s ability to pay a stockholder distributions and cause a stockholder to lose all or part of its investment. Moreover, the BDC has significant flexibility in investing its assets and may invest in ways investors may not agree with or in ways other than those contemplated in its registration statement.

**As required by the 1940 Act, a significant portion of the BDC’s investment portfolio is and will be recorded at fair value as determined in good faith by the Board of Directors and, as a result, there is and will be uncertainty as to the value of its portfolio investments.** Under the 1940 Act, the BDC is required to carry its portfolio investments at market value or, if there is no readily available market value, at fair value as determined by its Board of Directors. There is not a public market for the securities of the privately-held companies in which the BDC invests. Most of the BDC’s investments will not be publicly traded or actively traded on a secondary market. As a result, the BDC values these securities quarterly at fair value as determined in good faith by the Board of Directors as required by the 1940 Act. Due to this uncertainty, the BDC’s fair value determinations may cause its net asset value on a given date to materially differ from the value that the BDC may ultimately realize upon the sale of one or more of its investments.

**The amount of any distributions the BDC may make is uncertain. The BDC distributions may exceed the BDC's earnings. Therefore, portions of the distributions that the BDC makes may represent a return of capital to a stockholder that will lower a stockholder's tax basis in the stockholder's common stock and reduce the amount of funds the BDC has for investment in targeted assets.** The BDC may fund its cash distributions to stockholders from any sources of funds available to it, including offering proceeds, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets, dividends or other distributions paid to it on account of preferred and common equity investments in portfolio companies and expense reimbursements from the Adviser, which are subject to recoupment. The BDC's ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described in its registration statement. In addition, the inability to satisfy the asset coverage test applicable to the BDC as a business development company may limit its ability to pay distributions. All distributions are and will be paid at the discretion of the Board of Directors and will depend on the BDC's earnings, the BDC's financial condition, maintenance of the BDC's RIC status, compliance with applicable business development company regulations and Maryland law and such other factors as the Board of Directors may deem relevant from time to time. The BDC cannot assure a stockholder that the BDC will continue to pay distributions to its stockholders in the future. In the event that the BDC encounters delays in locating suitable investment opportunities, the BDC may pay all or a substantial portion of its distributions from borrowings in anticipation of future cash flow, which may constitute a return of a stockholder's capital. A return of capital is a return of a stockholder's investment, rather than a return of earnings or gains derived from the BDC's investment activities. A stockholder will not be subject to immediate taxation on the amount of any distribution treated as a return of capital to the extent of the stockholder's basis in its shares; however, the stockholder's basis in its shares will be reduced (but not below zero) by the amount of the return of capital, which will result in the stockholder recognizing additional gain (or a lower loss) when the shares are sold. To the extent that the amount of the return of capital exceeds the stockholder's basis in its shares, such excess amount will be treated as gain from the sale of the stockholder's shares. Distributions from borrowings also could reduce the amount of capital the BDC ultimately invests in its portfolio companies.

**As a public company, the BDC is subject to regulations not applicable to private companies, such as provisions of the Sarbanes-Oxley Act. Efforts to comply with such regulations will involve significant expenditures, and non-compliance with such regulations may adversely affect the BDC.** As a public company, the BDC is subject to the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the related rules and regulations promulgated by the SEC. The BDC's management is required to report on the BDC's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. The BDC is required to review on an annual basis the BDC's internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in the BDC's internal control over financial reporting. As a relatively new company, developing and maintaining an effective system of internal controls may require significant expenditures, which may negatively impact the BDC's financial performance

and the BDC's ability to make distributions. This process also will result in a diversion of the BDC's management's time and attention. The BDC cannot be certain of when the BDC's evaluation, testing, and remediation actions will be completed or the impact of the same on the BDC's operations. In addition, the BDC may be unable to ensure that the process is effective or that the BDC's internal controls over financial reporting are or will be effective in a timely manner. In the event that the BDC is unable to develop or maintain an effective system of internal controls and maintain or achieve compliance with the Sarbanes-Oxley Act and related rules, the BDC may be adversely affected.

**The BDC is an “emerging growth company” under the JOBS Act, and the BDC cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make the BDC's common stock less attractive to investors.** For so long as the BDC remains an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), the BDC may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. The BDC cannot predict if investors will find the BDC's common stock less attractive because the BDC will rely on some or all of these exemptions. If some investors find the BDC's common stock less attractive as a result, there may be a less active trading market for the BDC's common stock and its stock price may be more volatile.

**Recent legislation permits the Company to incur additional leverage.** A business development company generally is not permitted to incur indebtedness unless immediately after such borrowing it has an asset coverage for total borrowings of at least 200% (i.e., a 1:1 leverage-to-equity ratio). The Small Business Credit Availability Act, signed into law on March 23, 2018, contains a provision that grants a business development company the option, subject to certain conditions and disclosure obligations, to increase the leverage of its portfolio to a maximum of 2:1. The BDC's initial stockholder has approved the BDC's ability to utilize the increased leverage limit, which requires asset coverage of at least 150%. As a result, the BDC is permitted to incur additional indebtedness, and, therefore, the risk of an investment in the BDC's common stock may increase.

**The requirement that the BDC invests a sufficient portion of the BDC's assets in qualifying assets could preclude it from investing in accordance with its current business strategy; conversely, the failure to invest a sufficient portion of the BDC's assets in qualifying assets could result in the BDC's failure to maintain its status as a business development company.** As a business development company, the BDC may not acquire any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70% of the BDC's total assets are qualifying assets. Therefore, the BDC may be precluded from investing in what the BDC believes are attractive investments if such investments are not qualifying assets. Conversely, if the BDC fails to invest a sufficient portion of the BDC's assets in qualifying assets, the BDC could lose its status as a business development company, which would have a material adverse

effect on the BDC's business, financial condition and results of operations. Similarly, these rules could prevent the BDC from making additional investments in existing portfolio companies, which could result in the dilution of the BDC's position, or could require it to dispose of investments at an inopportune time to comply with the 1940 Act. If the BDC was forced to sell non-qualifying investments in the portfolio for compliance purposes, the proceeds from such sale could be significantly less than the current value of such investments.

**Failure to maintain the BDC's status as a business development company would reduce the BDC's operating flexibility.** If the BDC does not remain a business development company, the BDC may be regulated as a registered closed-end investment company under the 1940 Act, which would subject it to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease the BDC's operating flexibility.

**Regulations governing the BDC's operation as a business development company and RIC will affect the BDC's ability to raise, and the way in which the BDC raises, additional capital or borrow for investment purposes, which may have a negative effect on the BDC's growth.** As a result of the annual distribution requirement to qualify as a RIC, the BDC may need to periodically access the capital markets to raise cash to fund new investments. The BDC may issue "senior securities," as defined under the 1940 Act, including borrowing money from banks or other financial institutions only in amounts such that the BDC's asset coverage, as defined in the 1940 Act, equals at least 150% after such incurrence or issuance. The BDC's ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit the BDC's investment opportunities and reduce the BDC's ability in comparison to other companies to profit from favorable spreads between the rates at which the BDC can borrow and the rates at which the BDC can lend. As a business development company, therefore, the BDC intends to continuously issue equity at a rate more frequent than the BDC's privately owned competitors, which may lead to greater stockholder dilution.

The BDC expects to borrow for investment purposes. If the value of the BDC's assets declines, the BDC may be unable to satisfy the asset coverage test, which would prohibit it from paying distributions and could prevent it from qualifying as a RIC. If the BDC cannot satisfy the asset coverage test, the BDC may be required to sell a portion of the BDC's investments and, depending on the nature of the BDC's debt financing, repay a portion of the BDC's indebtedness at a time when such sales may be disadvantageous.

Under the 1940 Act, the BDC generally is prohibited from issuing or selling the BDC's common stock at a price per share, after deducting selling commissions and dealer manager fees, that is below the BDC's net asset value per share, which may be a disadvantage as compared with other public companies. The BDC may, however, sell the BDC's common stock, or warrants, options or rights to acquire the BDC's common stock, at a price below the current net asset value of the BDC's common stock if the Board of Directors, including the independent directors, determine that such sale is in the BDC's best interests and the best interests of its stockholders, and the BDC's stockholders, as well as those stockholders that are not affiliated with it, approve such sale. In any



such case, the price at which the BDC's securities are to be issued and sold may not be less than a price that, in the determination of the Board of Directors, closely approximates the fair value of such securities.

**The BDC's ability to enter into transactions with its affiliates is restricted.** The BDC is prohibited under the 1940 Act from participating in certain transactions with certain of its affiliates without the prior approval of a majority of the independent members of the Board of Directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of the BDC's outstanding voting securities will be its affiliate for purposes of the 1940 Act and generally the BDC will be prohibited from buying or selling any securities from or to such affiliate, absent the prior approval of the Board of Directors. The 1940 Act also prohibits certain "joint" transactions with certain of the BDC's affiliates, which could include investments in the same portfolio company (whether at the same or closely related times), without prior approval of the Board of Directors and, in some cases, the SEC. If a person acquires more than 25% of the BDC's voting securities, the BDC will be prohibited from buying or selling any security from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit the BDC's ability to transact business with the BDC's officers, directors, investment advisers, sub-advisers or their affiliates. As a result of these restrictions, the BDC may be prohibited from buying or selling any security from or to any fund or any portfolio company of a fund managed by the Adviser, or entering into joint arrangements such as certain co-investments with these companies or funds without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to the BDC. Further, certain of the BDC's affiliates may be regulated entities, and regulatory restrictions applicable to such affiliates may restrict certain of the BDC's activities.

**The BDC is a non-diversified investment company within the meaning of the 1940 Act, and therefore the BDC is not limited with respect to the proportion of the BDC's assets that may be invested in securities of a single issuer.** The BDC is classified as a non-diversified investment company within the meaning of the 1940 Act, which means that the BDC is not limited by the 1940 Act with respect to the proportion of the BDC's assets that the BDC may invest in securities of a single issuer. To the extent that the BDC assumes large positions in the securities of a small number of issuers, or within a particular industry, the BDC's net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. The BDC may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company or to a general downturn in the economy. However, the BDC will be subject to the diversification requirements applicable to RICs under Subchapter M of the Code.

**International investments create additional risks.** The BDC expects to make investments in portfolio companies that are domiciled outside of the United States. The BDC anticipates that up to 30% of the BDC's investments may be in assets located in jurisdictions outside the United States. The BDC's investments in foreign portfolio companies are deemed "non-qualifying assets,"

which means, as required by the 1940 Act, they may not constitute more than 30% of the BDC's total assets at the time of the BDC's acquisition of any asset, after giving effect to the acquisition.

**The BDC will be subject to corporate-level income tax if the BDC is unable to qualify as a RIC under Subchapter M of the Code or to satisfy RIC distribution requirements.** To obtain and maintain RIC tax treatment under Subchapter M of the Code, the BDC must, among other things, meet annual distribution, income source and asset diversification requirements. If the BDC fails to qualify for or maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce the BDC's net assets, the amount of income available for distribution and the amount of the BDC's distributions.

**The BDC may have difficulty paying its required distributions if the BDC recognizes income before or without receiving cash representing such income.** For federal income tax purposes, the BDC may be required to recognize taxable income in circumstances in which the BDC does not receive a corresponding payment in cash. For example, if the BDC holds debt obligations that are treated under applicable tax rules as having original issue discount (such as zero coupon securities, debt instruments with PIK interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), the BDC must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by it in the same taxable year. The BDC may also have to include in income other amounts that the BDC has not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. Moreover, under tax legislation signed into law on December 22, 2017 ("**Tax Legislation**"), the BDC generally will be required to take certain amounts in income no later than the time such amounts are reflected on certain financial statements. The application of this rule may require the accrual of income with respect to the BDC's debt instruments, such as original issue discount or market discount, earlier than would be the case under the general tax rules, although the precise application of this rule is unclear at this time. This rule generally will be effective for tax years beginning after December 31, 2017 or, for debt instruments issued with original issue discount, for tax years beginning after December 31, 2018. The BDC anticipates that a portion of the BDC's income may constitute original issue discount or other income required to be included in taxable income prior to receipt of cash. Further, the BDC may elect to amortize market discount and include such amounts in the BDC's taxable income in the current year, instead of upon disposition, as an election not to do so would limit the BDC's ability to deduct interest expenses for tax purposes.

Because any original issue discount or other amounts accrued will be included in the BDC's investment company taxable income for the year of the accrual, the BDC may be required to make a distribution to the BDC's stockholders in order to satisfy the annual distribution requirement, even though the BDC will not have received any corresponding cash amount. As a result, the BDC may have difficulty meeting the annual distribution requirement necessary to qualify for and maintain RIC tax treatment under Subchapter M of the Code. The BDC may have to sell some of the BDC's investments at times and/or at prices the BDC would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If the BDC

is not able to obtain cash from other sources, the BDC may fail to qualify for or maintain RIC tax treatment and thus become subject to corporate-level income tax.

**If the BDC does not qualify as a “publicly offered regulated investment company,” as defined in the Code, a non-corporate shareholder will be taxed as though it received a distribution of some of the BDC’s expenses.** A “publicly offered regulated investment company” or “publicly offered RIC” is a RIC whose shares are either (i) continuously offered pursuant to a public offering within the meaning of Section 4 of the Securities Act, (ii) regularly traded on an established securities market or (iii) held by at least 500 persons at all times during the taxable year. The BDC anticipates that it will not immediately qualify as a publicly offered RIC, although the BDC may qualify as a publicly offered RIC for future years. If the BDC is not a publicly offered RIC for any period, a non-corporate shareholder’s allocable portion of the BDC’s affected expenses, including the BDC’s management fees, will be treated as an additional distribution to the shareholder and will be treated as miscellaneous itemized deductions that are deductible only to the extent permitted by applicable law. Pursuant to the Tax Legislation, however, such expenses will not be deductible by any such shareholder for tax years that begin prior to January 1, 2026.

**The common stock sold in the BDC’s offering will not be listed on an exchange or quoted through a quotation system for the foreseeable future, if ever. Therefore, if a stockholder purchases common stock in the BDC’s offering, the stockholder will have limited liquidity and may not receive a full return of its invested capital if a stockholder sells its common stock. The BDC is not obligated to complete a liquidity event by a specified date; therefore, until the BDC completes a liquidity event, it is unlikely that a stockholder will be able to sell its shares.** The common stock offered by the BDC are illiquid assets for which there is not expected to be any secondary market nor is it expected that any will develop in the foreseeable future. There can be no assurance that the BDC will complete a liquidity event within such time or at all.

In making the decision to apply for listing of the BDC’s common stock, the Board of Directors will try to determine whether listing the BDC’s common stock or liquidating the BDC’s assets is in the best interests of the BDC. In making a determination of what type of liquidity event is in the best interest of the BDC, the Board of Directors, including the independent directors, may consider a variety of criteria, including, but not limited to, maintaining a broad portfolio of investments, portfolio performance, the BDC’s financial condition, potential access to capital as a listed company, the investment advisory experience of the Adviser and market conditions for the sale of the BDC’s assets or listing of the BDC’s common stock and the potential for stockholder liquidity. If the BDC determines to pursue a listing of the BDC’s common stock on a national securities exchange in the future, at that time the BDC may consider either an internal or an external management structure. There can be no assurance that the BDC will complete a liquidity event. Until the BDC completes a liquidity event, a stockholder’s ability to sell its shares is limited. If the BDC’s common stock is listed, the BDC cannot assure a stockholder that a public trading market will develop. Further, even if the BDC does complete a liquidity event, a stockholder may not receive a return of all of its invested capital.

**The BDC intends to adopt a share repurchase program. To the extent a stockholder is able to sell its shares under the program, a stockholder may not be able to recover the full amount of its investment in the BDC's shares.** The BDC intends to adopt a share repurchase program to provide a limited opportunity for investors to achieve liquidity, subject to certain restrictions and limitations, at a price which may reflect a discount from the purchase price paid for the common stock being repurchased. The exact amount of any repurchase offers will be set by the Board of Directors in its discretion in order to ensure no material adverse impact on the BDC or its stockholders. The Board of Directors will have the authority to amend, suspend or terminate any share repurchase program upon adequate notice to stockholders. Additionally, it is likely that stockholders will not know the repurchase price per share before submitting a repurchase request. If adopted, the BDC will disclose the final terms of the BDC's share repurchase program in a current report on Form 8-K.

**A stockholder's interest in the BDC will be diluted if the BDC issues additional shares of common stock, which could reduce the overall value of an investment in the BDC.** Potential investors will not have preemptive rights to purchase any common stock the BDC issues in the future. The BDC's charter authorizes the BDC to issue 1,000,000,000 shares of common stock. Pursuant to the BDC's charter, a majority of the BDC's entire Board of Directors may amend the BDC's charter to increase or decrease the number of authorized shares of common stock without stockholder approval. The BDC intends to continuously sell additional shares of common stock and any other follow-on offering or issue equity interests in private offerings. To the extent that the BDC issues additional shares of common stock at or below net asset value after an investor purchases shares of the BDC's common stock, an investor's percentage ownership interest in the BDC will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of the BDC's investments, an investor may also experience dilution in the book value and fair value of his or her shares of common stock.

### *Risks Applicable to PE Funds*

**Risks Regarding Disposals of PE Fund Investments.** Although the Adviser generally expects that a PE Fund's investments will be disposed of prior to the end of the term or be suitable for distribution in-specie at such time, a PE Fund may make investments that may not be advantageously disposed of prior to the expiration of such Fund's term. The Adviser generally has a limited ability to extend the term of a PE Fund, and a PE Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time.

Investments in unlisted companies are intrinsically riskier than in listed companies as unquoted companies may be smaller, more vulnerable to changes in markets and technology and dependent on the skills and commitment of a small management team. In addition, investments in unquoted companies can be difficult to realize.

A PE Fund will generally be acquiring investments of a long-term and illiquid nature in companies whose shares are not quoted or dealt in on any stock exchange, for which there may only be a limited number of prospective buyers. These investments may be difficult to value and to sell or otherwise liquidate and their realizable value may be less than their intrinsic value. The risk accompanying an investment in such companies is greater than the risk of investing in publicly traded securities. There can be no assurance that a PE Fund will be able to realize cash from such investments in a timely manner and, in some cases, a PE Fund may be prohibited by contract from selling investments for a period of time. Consequently, the timing of cash distributions to investors is uncertain and unpredictable.

**Material Non-Public Information.** As a result of the operations of the Adviser and its affiliates, the Adviser may come into possession of confidential or material, non-public information. Therefore, the Adviser and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Adviser's internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

**Controlling or Minority Stakes.** The PE Funds generally intend to assume control positions in their portfolio companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liabilities in respect of which the limited liability generally characteristic of business operations may be ignored.

The PE Funds may also hold minority positions in certain portfolio companies or acquire securities that are subordinated vis-à-vis other securities as to economic or management rights or other attributes. The PE Funds may therefore have limited ability to protect their positions, or liability arising from, such companies and might not always be in a position to protect their interests effectively, particularly if management teams pursue objectives which are inconsistent with those of the relevant PE Fund.

The securities in which the PE Funds will invest will typically be among the most junior in a portfolio company's capital structure and therefore subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once it has been made.

**Involvement in Portfolio Companies as Directors.** Investing in new or expanding companies normally involves a greater involvement on the part of a PE Fund than is the case with investments in public companies. It is typical of a private equity investor to have a seat on the board of directors of the portfolio company which would enhance its ability to efficiently manage its Investment. Although a representative of a PE Fund may serve on a portfolio company's board of directors,

each portfolio company will generally be managed by its own officers (who may not be affiliated with the PE Fund). Additionally, in certain jurisdictions, the composition of the board of a portfolio company will need to reflect local laws governing employee and works council representation. Typically, portfolio companies will have insurance to protect directors and officers (including those affiliated with a PE Fund), but this may be inadequate. As the Organizational Documents of the applicable PE Fund typically contain a comprehensive indemnity for the benefit of, amongst others, such directors and/or officers, any legal action resulting in damages being payable by such directors and/or officers may result in such Fund being liable for such indemnity payments in the event that the insurance coverage of the underlying portfolio company is inadequate.

Portfolio companies may have substantial variations in operating results from period-to-period, face intense competition, and experience failures or substantial declines in value at any stage. Membership on the board of directors of a portfolio company can result in personal actions in litigation both in such situations and in other circumstances. To the extent to which insurance coverage at the level of the portfolio company is insufficient to cover liabilities arising from such actions then a Fund may itself be liable to make payments to cover liabilities arising from such actions.

**Currency Risk.** A PE Fund's investments may be made in various countries and, accordingly, such investments and any proceeds there from may be denominated in a variety of currencies other than the currency of the applicable Fund. If so denominated, the value of these investments will fluctuate as a result of changes in currency exchange rates.

Movement in the foreign exchange rate between the currency of the applicable Fund, and the currency applicable to a particular investor may have an impact upon such investor's returns in his or her own currency of account. Investors should note that the returns generated by investors in a Fund denominated by one currency may differ from those generated by investors in a Fund denominated by a different currency due to fluctuations in the exchange rates.

In addition, a PE Fund may incur costs in connection with the conversions between various currencies. Prospective investors should be aware therefore that movements in the value of currencies over the life of a PE Fund will affect the value of its holdings.

The Adviser may (but is not obliged) to endeavor to manage currency exposures using appropriate hedging techniques where available and appropriate. A PE Fund may incur costs related to currency hedging arrangements. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that any such hedging arrangements will be successful in managing currency exposures.

**Need for Follow-on Investments.** Following its initial investment in a given Portfolio Investment, a PE Fund may decide to provide additional funds to such Portfolio Investment or may have the opportunity to increase its investment in a Portfolio Investment. There is no assurance that a PE Fund will make follow-on investments and in certain circumstances a PE Fund may be prevented from doing so due to having insufficient commitments available for investment or as a result of reaching its diversification cap in respect of such Portfolio Investment. Any decision by a PE Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a Portfolio Investment in need of such an investment, may result in a lost opportunity for such PE Fund to increase its participation in a successful operation, may result in such PE Fund's investment in the relevant Portfolio Investment becoming diluted and in circumstances where the follow-on investment is offered at a discount to market value, may result in a loss of value for the PE Fund.

**Concentration of Investments.** A PE Fund may participate in only a limited number of Portfolio Investments and may seek to make several investments in a limited number of industries or industry segments. Additionally, the applicable Organizational Documents of a PE Fund will include restrictions on the amounts that may be invested by such PE Fund in any single Portfolio Investment, which may be exceeded in circumstances where it is contemplated that such excess will be syndicated following completion. There can be no guarantee that any such syndication will be achieved and accordingly a PE Fund may end up with a higher exposure to a single Portfolio Investment than would have been the case had such syndication been achieved. As a result, a PE Fund's investment portfolio could become highly concentrated and the performance of a few Portfolio Investments may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount a PE Fund may invest in fewer Portfolio Investments and thus be less diversified.

**Decision Making Process.** The matters described in this brochure may change during the life of a particular Fund, and in particular that there can be no assurance that the decision-making process in respect of, or the composition of, the PE Investment Committee will continue to follow that set out in this brochure.

**Contingent Liabilities Upon Disposition.** In connection with the disposition of a Portfolio Investment, a Fund and the Adviser may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, (e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities), in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify

the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by a Fund and, ultimately, its investors.

#### **ITEM 9. DISCIPLINARY INFORMATION**

There are no material legal or disciplinary events to disclose relating to a client's or potential client's evaluation of the Firm's business.

#### **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

##### **Related General Partners**

The Adviser organizes certain of the Funds, which in certain cases are limited partnerships for which the Adviser (including its affiliates) serves as general partner or exempted companies for which employees or affiliates of the Adviser serve as members of the board of directors. For a description of material conflicts of interest created by these relationships, as well as a description of how such conflicts are addressed, please see Item 11 below.

##### **Affiliated Advisers**

The Adviser's affiliated advisers currently include:

- BC Partner Beteiligungsberatung GmbH: organized in Germany;
- CIE Management II Limited: organized in Guernsey and regulated by the Guernsey Financial Services Commission;
- CIE Management IX Limited: organized in Guernsey and regulated by the Guernsey Financial Services Commission;
- BCEC Management X Limited: organized in Guernsey and regulated by the Guernsey Financial Services Commission;
- BC Partners Management Lux Sàrl: organized in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier of Luxembourg;
- BC Partners LLP: organized in the United Kingdom and regulated by the United Kingdom Financial Conduct Authority and an exempt reporting adviser under the Advisers Act; and
- Sierra Crest Management LLC: organized in Delaware and regulated by the U.S. Securities and Exchange Commission and a registered investment adviser under the Advisers Act.

The Funds and/or other Credit Clients may from time to time participate in transactions alongside clients of an affiliated adviser. For a description of material conflicts of interest created by the relationship among the Adviser and its affiliate advisers, as well as a description of how such conflicts are addressed, please see Item 11 below.



### **Affiliated Broker-Dealer**

BC Partners Securities LLC (“**BC Partners Securities**”), a Delaware limited liability company, is a SEC registered broker-dealer and affiliate of the Firm. BC Partners Securities performs underwriting and other securities-related capital markets activities for the portfolio companies, which may include initial public offerings, follow-on offerings, and secondary offerings as well as private placements. As an underwriter, BC Partners Securities advises portfolio company issuers in connection with pricing, timing, and market conditions. BC Partners Securities will also provide additional services (which may include, without limitation, advisory services to Clients in connection with the acquisition and disposition of their Portfolio Investments and syndicating transactions for Portfolio Investments). Subject to the Clients’ Organizational Documents, engagements by Clients or their Portfolio Investments of BC Partners Securities do not require approval from such Clients’ advisory committees (if applicable). Fees received by BC Partners Securities in connection with the provision of underwriting and other securities-related capital markets activities as well as Portfolio Investment acquisition and disposition activities and similar services are, unless specifically stated in the Client’s Organizational Documents, not applied to offset Advisory Fees and are retained by BC Partners Securities.

For a description of material conflicts of interest created by the relationship among BC Partners Securities, the Firm and its affiliates, 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 has adopted a written Code of Ethics that is applicable to all of its partners, officers and employees, as well as officers and employees of its affiliates and certain independent contractors (collectively, “**Adviser Personnel**”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer (“**CCO**”) as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they

become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client by contacting [compliance@bcpartners.com](mailto:compliance@bcpartners.com) or upon written request to: BC Partners Advisors L.P., Attn: Chief Compliance Officer, 650 Madison Avenue, 23<sup>rd</sup> Floor, New York, New York 10022.

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

The Adviser and certain employees and affiliates of the Adviser may invest in and alongside the Clients, either through the general partners, as direct investors in the Funds or BDC or otherwise. In particular, BC Partners staff that are also director representatives of a portfolio company or its affiliates, are permitted to buy and sell securities on a personal account basis, in an IPO of such companies if certain criteria are met, including pre-approval from the BC Partners Compliance team. A Fund or BDC may reduce all or a portion of the Advisory Fee and Performance Compensation related to investments held by such persons. 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 purchasers of a limited partner’s interests in a secondary transaction) may ask different questions and request different information, the Adviser may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Conflicts of Interest**

The Firm engages in a broad range of activities, including investment activities for its own account and for the account of other investment funds, and providing transaction-related, investment advisory, management and other services to the Clients and Portfolio Investments. In the ordinary course of conducting its activities, the interests of a Client may from time to time conflict with the interests of the Adviser, other Clients or another Firm entity. Certain of these conflicts of interest, as well a description of how the Firm addresses such conflicts of interest, can be found below.

### **Resolution of Conflicts**

Certain Organizational Documents contain provisions that, subject to applicable law, reduce or modify the duties, including fiduciary and other duties, to a Fund and its investors to which the general partner of such Fund and any other Firm entity, as applicable, would otherwise be subject, provisions that waive or consent to conduct on the part of such general partner and other Firm entities that might not otherwise be permitted pursuant to such duties, and provisions that limit the remedies of limited partners with respect to breaches of such duties. If any matter arises that a general partner and its affiliates determines in their good faith judgment constitutes an actual

conflict of interest, the general partner and other Firm entities may take such actions as they determine in good faith may be necessary or appropriate to ameliorate the conflict, and upon taking such actions such general partner or other Firm entity will be relieved of any liability for such conflict to the fullest extent permitted by law and shall be deemed to have satisfied its fiduciary duties related thereto to the fullest extent permitted by law. These actions may include, for example, (i) presenting a material conflict of interest to such Fund's limited partner advisory committee, (ii) disposing of the applicable investment or security (or abstaining from exercising voting or control rights related thereto); (iii) appointing an "independent client representative" to act or provide consent; (iv) disclosing the conflict to a Fund's limited partners; or (v) implementing other policies and procedures designed to ameliorate conflicts of interest. There can be no assurance that a general partner will identify or resolve all conflicts of interest in a manner that is favorable to a Fund. By acquiring an interest in a Fund, investors will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

## Conflicts

### *Firm Policies and Procedures; Information Synergies*

Policies and procedures implemented by the Firm from time to time to mitigate potential conflicts of interest and address certain regulatory requirements and/or contractual restrictions may reduce the synergies and flow of information across the Firm's areas of operation or expertise that the general partners expect to draw on for purposes of pursuing and evaluating attractive investment opportunities for the Funds. Because the Firm has both Private Equity and Credit Businesses, it is subject to a number of actual and potential conflicts of interest, additional regulatory considerations and more legal and contractual restrictions than that to which it would otherwise be subject if it focused only on private equity-oriented or credit-oriented investment activities.

Investment professionals of the Firm may acquire confidential information concerning an entity in which other BC Partners vehicles have invested or which are being considered for investment on behalf of one or more other BC Partners vehicles. Acquiring information that is material, non-public information may limit the Firm's ability to buy or sell particular securities or other instruments on behalf of the Clients, and this in turn may limit the opportunities, investment flexibility or exit strategies for the Clients. Where possible, information is expected to be shared between the general partners, the Funds and other Firm entities to enhance the synergies and enable the Funds to capitalize on attractive investment opportunities (including opportunities relating to investments in portfolio entities in which other BC Partners vehicles have or may acquire an interest), subject to compliance with applicable law and regulation regarding the sharing of information and the Firm's policies and procedures related thereto. The sharing (or possession) of such information may, in certain circumstances, restrict the activities of the Funds. In such circumstances, the Funds may not be able to dispose of a security or other instrument relating to a portfolio entity owned by other BC Partners vehicles, even in a declining market, until the

information becomes publicly available or immaterial and the trading in the portfolio entity's instruments is no longer restricted.

### *Conflicted Investments*

The Firm, in its sole discretion, may decide not to proceed with a Portfolio Investment or not to pursue an investment opportunity for a Fund because of a conflict of interest. Further, the Firm will be free to provide advice or other services to any other person, notwithstanding any conflict with its duties to, or the interests of, any Fund. The Firm will not be in breach of any obligation or duty to a Fund or to investors of a Fund or liable for any loss incurred by a Fund or by investors of a Fund, notwithstanding a conflict with its duties to, or the interests of, any Fund, in consequence of any decision not to proceed with an investment or not to pursue an investment opportunity for such Fund, or any decision to effect, or participate in, any transaction on its own behalf or on behalf of any other person or to provide advice or other services to any person. Similarly, the Firm will be under no duty or obligation to disclose to, or use for the benefit of, a Fund any information in relation to any transaction in which it, or any person to whom it owes a duty, has an interest.

### *Allocation of Investment Opportunities*

As part of the overall activities of the Credit Business, the Adviser intends to establish additional investment vehicles, funds, products and separate accounts that pursue a range of credit-oriented investment strategies, including opportunistic credit-oriented investments that would otherwise be appropriate for a Credit Fund. In respect of the Private Equity business, the Adviser also intends to establish additional investment vehicles, funds, products and separate accounts that pursue a range of investment strategies that would otherwise be appropriate for a PE Fund. To the extent any other BC Partners vehicles (including other private funds, registered funds, investment vehicles, funds-of-one and/or separately managed accounts for the benefit of one or more investors that seek to pursue (i) a similar or overlapping investment strategy to the Credit Clients and that are part of the broader Credit Business or (ii) a similar or overlapping investment strategy to the PE Funds that are part of the broader Private Equity Business (any such vehicles referred to collectively herein as the “**Adjacent Vehicles**”)) have investment objectives or guidelines that overlap with those of another Credit Client or another PE Fund, respectively, in whole or in part, investment opportunities that fall within such common objectives or guidelines will generally be allocated, unless otherwise provided for in the Organizational Documents of the applicable Fund, among one or more of the Adjacent Vehicles and such other BC Partners vehicles pursuant to BC Partners' investment allocation policy, on a basis that the general partner of the applicable Fund determines to be “fair and reasonable” in its sole discretion, subject to (A) any applicable investment parameters, limitations and other contractual provisions of such Fund and such other BC Partners vehicles, (B) such Fund and such other BC Partners vehicles having available capital with respect thereto, and (C) legal, tax, accounting, regulatory and other considerations deemed relevant by the general partner of such Fund. Factors that may be considered by the general partner of a Fund include, without limitation, the specific nature and terms of the investment, size and type of the investment, relative investment strategies and primary investment mandates of the Fund and such other BC Partners vehicles, portfolio diversification concerns, a portfolio being either

overweight or underweight, cost-benefit analyses of the investment, contractual obligations, applicable investment limitations or guidelines and other terms of such funds, relative amounts of available capital for each investment in each fund and other anticipated uses of capital, the source of the investment opportunity, the anticipated tax treatment of the investment, the investment focus and strategy of each investment fund or vehicle, anticipated holding period and remaining investment periods and fund terms, co-investment arrangements, the different liquidity positions and requirements in each fund or vehicle, potential path to ownership, underwritten leverage levels of a loan, loan tenor/duration, portfolio concentration considerations, when a pro rata allocation could result in de minimis or odd lot allocations, redemption or withdrawal requests from a client, fund and/or vehicle and anticipated future contributions into an account, the ability of a client, fund and/or vehicle to employ leverage, hedging, derivatives, or other similar strategies in connection with acquiring, holding or disposing of the particular investment opportunity, and any requirements or other terms of any existing leverage facilities, the credit/default profile of an issuer, the extent of involvement of the respective teams of investment professionals dedicated to the Fund and other BC Partners vehicles, the likelihood/immediacy of foreclosure or conversion to an equity or control opportunity, laws or regulations that may require certain investments (or portion thereof) to be allocated to the Fund and/or other BC Partners vehicles and other considerations deemed relevant in good faith). Such allocation methodology may result in a Fund not participating (and/or not participating to the same extent) in certain investment opportunities in which it would have otherwise participated had the related allocations been determined without regard to such guidelines and/or based only on the circumstances of those particular investments. Certain PE Funds or Credit Funds have, and may in the future have, priority over certain types of investments otherwise appropriate for other PE Funds or Credit Funds which may limit or otherwise reduce the amount of available investment opportunities for such other PE Funds or Credit Funds. In addition, with respect to allocations of investment opportunities among the Credit Clients, non-discretionary Accounts may be presented such investment opportunities subsequent to allocations to the other Credit Clients.

The Adviser's allocation of investment opportunities among Adjacent Vehicles and any other BC Partners vehicle may not always, and often will not, be proportional. Therefore, such allocations may be more advantageous to a Fund relative to one or all of the other investment funds and separate managed accounts, or vice versa. While the Adviser will allocate investment opportunities in a way that it believes in good faith is fair and equitable to a Fund, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject did not exist.

The general partner of a Fund will determine the "available capital" of the applicable Fund in its sole discretion, taking into account a variety of considerations, including, without limitation, the amount of available unused capital commitments, applicable investment guidelines, geographic limitations and actual or anticipated capital needs and the considerations noted above. The manner in which the available capital of a Fund is determined by the general partner with respect to such Fund may differ from the determination thereof or may subsequently change with respect to

Adjacent Vehicles and/or other BC Partners vehicles. Any differences or adjustments with respect to the manner in which available capital is determined with respect to a Fund and/or the Adjacent Vehicles and/or other BC Partners vehicles may adversely impact a Fund's allocation of particular investment opportunities and/or result in an increase in the size of a Fund's investment portfolio on which the management fee is charged.

In addition, in certain circumstances certain other investment vehicles, funds and/or accounts affiliated with BC Partners will receive allocations of investments that are otherwise appropriate for the Funds (including other BC Partners vehicles and/or Adjacent Vehicles), which will from time to time result in a Fund not participating (or participating to a lesser extent) in certain investment opportunities otherwise within its mandate. The Firm (including the Funds' investment professionals) may receive compensation from other BC Partners vehicles with regard to such investment opportunities. By acquiring an interest in the Funds, the limited partners will be deemed to have acknowledged that other BC Partners vehicles are expected to share and/or receive priority allocations of certain investments that might be otherwise appropriate for the Funds or otherwise participate in investments alongside the Funds. As a result, a Fund will not necessarily receive an allocation of each investment opportunity within its mandate. To the extent such other BC Partners vehicles do not invest in any such investment opportunity (or elect to invest in only a portion of such opportunity), such investment opportunity (or the remainder of such investment opportunity) may be allocated to a Fund and any other BC Partners vehicles.

The amount of carried interest charged and/or management fees paid by a Fund may be less than or exceed the amount of carried interest charged and/or management fees paid by other BC Partners vehicles. Such variation may create an incentive for the Adviser or other applicable Firm entities to allocate a greater percentage of an investment opportunity to a Fund or such other BC Partners vehicles, as the case may be.

#### *Co-Investment Opportunities*

There are expected to be circumstances where an amount that would have otherwise been invested by a Fund will instead be allocated to co-investors (who may or may not be limited partners of the applicable Fund, including, for greater certainty, limited partners of other BC Partners vehicles). There is no guarantee for any limited partner of a Fund that it will be offered any co-investment opportunities. As a general matter, the allocation of co-investment opportunities is entirely discretionary and it is expected that many investors who may have expressed an interest in co-investment opportunities may not be allocated any co-investment opportunities or may receive a smaller amount of co-investment opportunities than the amount requested. A general partner will take into account various facts and circumstances deemed relevant by the general partner in allocating co-investment opportunities, including without limitation whether a potential co-investor has expressed an interest in evaluating co-investment opportunities, the general partner's assessment of a potential co-investor's ability to invest an amount of capital that fits the needs of the investment (taking into account the amount of capital needed as well as the maximum number of investors that can realistically participate in the transaction), supply or demand of an investment opportunity at a given price level, and the general partner's assessment of a potential co-investor's

ability to commit to a co-investment opportunity within the required timeframe of a particular transaction. Additional considerations may also include, among others and without limitation, the size of investor commitments to a Fund, other BC Partners vehicles and strategic third party investors, the overall relationship and importance of such investor with the Firm, whether a potential co-investor has a history of participating in co-investment opportunities with the Firm, the size of the potential co-investor's interest to be held in the underlying portfolio entity as a result of a Fund's investment, whether the Adviser believes that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to the Funds or future Funds managed by the Adviser, whether the investment opportunity may subject the potential co-investment party to legal, regulatory, reporting, public relations, media or other burdens that make it less likely that the potential co-investment party would act upon the investment opportunity if offered, whether a particular potential co-investment party has provided value in the sourcing, establishing relationships, participating in diligence and/or negotiations for such potential transaction or is expected to provide value to the business or operations of a portfolio company post-closing, any interests a potential co-investment party has in any competitors of the portfolio company, the character and nature of the co-investment opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry), the Adviser's evaluation of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of such person or entity to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser, and the expected amounts of negotiations required in connection with an investor or person's commitment (including if a BC Partners vehicle has already been formed to facilitate co-investment), any confidentiality concerns the Adviser may have that may arise in connection with providing the potential co-investment party with specific information relating to the investment opportunity in order to permit such person or entity to evaluate the investment opportunity, whether the potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of the Firm, a Fund, the Adjacent Vehicles or other co-investments and/or other BC Partners vehicles, or otherwise has a "strategic" relationship with the Firm or the Credit Business or the Private Equity Business and such other factors that the Firm deems relevant under the circumstances, in accordance with BC Partners' investment allocation policy, as amended from time to time.

The Firm may agree with investors to more favorable rights with respect to co-investment opportunities, and to the extent any such arrangements are entered into, they may result in fewer co-investment opportunities being made available to the limited partners of a Fund. Furthermore, in connection with any such co-investment by co-investors, the Firm may establish one or more investment vehicles managed or advised by the Firm to facilitate such co-investors' investment alongside a Fund, in specific co-investments or as part of an overall program for multiple co-investments. The amount and frequency of co-investment by the co-investment vehicle would be at the discretion of the applicable general partner. It is possible that the establishment of any such co-investment vehicle would result in fewer co-investment opportunities to investors who do not participate therein and allocations to the co-investment vehicle are likely to result in a Fund investing less than it would have in the related investments.

Subject to the terms of the applicable Organizational Documents, a general partner may cause a Fund to initially acquire a portion of an investment for the purpose of syndicating such portion to one or more potential co-investment vehicles established and/or controlled by the applicable general partner and/or its affiliates as described more fully elsewhere herein (including with regard to designated bridge investments). In the discretion of a general partner, such syndications may be effected at cost (with or without the charging of interest payable to a Fund for holding such investment prior to syndication).

Prospective investors should note that a general partner may offer, in its sole discretion, a limited partner of a Fund or other persons (including, for greater certainty, limited partners of the other BC Partners vehicles), an opportunity to co-invest in particular co-investment opportunities alongside a Fund in the manner and as more fully set forth in the applicable Organizational Documents.

Additionally, it can be expected that the Firm will, from time to time, enter into arrangements or strategic relationships with third parties, including other asset managers, financial firms or other businesses or companies, which, among other things, provides for referral, sourcing or sharing of investment opportunities. The Firm may, from time to time, enter into certain formal or informal arrangements and/or strategic relationships with third parties, including other asset managers, financial firms, limited partners of the Funds, investors in other BC Partners vehicles and/or other businesses or persons, which, among other things, provide for referral, sourcing and/or sharing of investment opportunities and/or information and may, in connection therewith, pay and/or receive compensation (including asset management fees and/or performance-based compensation) and reimburse third parties for certain expenses incurred as part of such arrangements, including diligence expenses and administrative, deal sourcing and other related expenses. While it is possible that a Fund will, along with the Firm itself, benefit from the existence of those arrangements and/or relationships, it is also possible that investment opportunities that would otherwise be presented to or made by a Fund would instead be referred (in whole or in part) to such third parties.

#### *BC Partners Strategic Relationships*

The Adviser will, from time to time, enter into arrangements or strategic relationships (each, a “**Strategic Relationship**”) with investors (and/or one or more of their affiliates) in the Funds and/or other BC Partners vehicles, third parties, including other asset managers, financial firms, limited partners in the Funds, investors in other BC Partners vehicles and/or other businesses or persons, which, among other things, provides for referral, sourcing or sharing of investment opportunities and/or information and may, in connection therewith, pay and/or receive compensation (including asset management fees and/or performance-based compensation) and reimburse third parties for certain expenses incurred as part of such arrangements, including diligence expenses and administrative, deal sourcing and other related expenses. A Strategic Relationship often involves an investor agreeing to make a significant capital commitment to multiple BC Partners vehicles and such Strategic Relationship may be formal or informal arrangements. Fund investors will not receive a copy of any agreement memorializing a Strategic Relationship program (even if in the form of a side letter) and will be unable to elect any such



rights or benefits afforded through a Strategic Relationship. Specific examples of such additional rights and benefits include, among others, (in addition to one or more of the rights listed above) specialized reporting, discounts on and / or reimbursement of management fees, carried interest, secondment of personnel from the investor to BC Partners (or vice versa), targeted amounts for co-investments alongside BC Partners vehicles (including, without limitation, preferential allocation of co-investment, and preferential terms and conditions, including priority rights, related to co-investment or other participation in BC Partners vehicles (including any carried interest and/or management fees to be charged with respect thereto, as well as any additional discounts or rebates thereof or other penalties that may result if certain target co-investment allocations or other conditions under such arrangements are not achieved)). While it is possible that a Fund will, along with BC Partners itself, benefit from the existence of those arrangements and/or relationships, it is also possible that investment opportunities that would otherwise be presented to or made by a Fund would instead be referred (in whole or in part) to such third parties. BC Partners, including its personnel, may receive compensation from Strategic Relationships and be incentivized to allocate investment opportunities away from such Fund to or source investment opportunities for Strategic Relationships. Strategic Relationships may therefore result in fewer co-investment opportunities (or reduced allocations) being made available to investors in the Fund. In addition, from time to time, BC Partners may enter into economic and/or fee sharing arrangements with respect to the Adjacent Vehicles, any other BC Partners vehicles and/or certain limited partners thereof, which rights will not generally be made available to the a Fund's limited partners.

*Investments in Which Other BC Partners Vehicles Have a Different Principal Investment; Co-Investment*

A Fund will likely co-invest with other BC Partners vehicles (including with Adjacent Vehicles) in investments that are suitable for both the applicable Fund and such other BC Partners vehicles. This may include, for example, investments in or relating to Portfolio Investments that represent “loan platform” investments where additional opportunities to invest are made available to the Credit Business or otherwise where the applicable general partner and/or its affiliates determine that doing so is appropriate under the circumstances. In addition, any successor fund of a Fund may also participate in investments relating to Portfolio Investments in which the applicable Fund and/or the other BC Partners vehicles may have an investment (or vice versa). In many instances, the Funds and/or the other BC Partners vehicles are expected to make and/or hold investments at different levels of the same issuer's capital structure at different times, which may include a Fund making one or more investments directly or indirectly relating to portfolio entities of other BC Partners vehicles or vehicles and vice versa. Other BC Partners vehicles may also participate in a separate tranche of a financing or make an entity investment with respect to an issuer/borrower in which a Fund has an interest or otherwise in the same or a different class of such issuer's securities. For example, if BC Partners invests in the equity securities of a portfolio company on behalf of a PE Fund and, at times, in the debt of the same company for a Credit Fund. Such investments may inherently give rise to conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by such entities. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that a PE Fund and a Credit Fund or any other BC Partners vehicle with which a Fund co-invests will exit such

investment at the same time or on the same terms. In addition, in connection with any shared investments in which a Fund participates alongside any such other BC Partners vehicles, the applicable general partner may from time to time grant absolutely and/or share with such other BC Partners vehicles certain rights relating to such shared investments for legal, tax, regulatory, accounting or other reasons, including in certain instances certain control- and/or foreclosure-related rights with respect to such shared investments and/or otherwise agree to implement certain procedures to ameliorate conflicts of interest which may in certain circumstances involve a forbearance of rights relating to the applicable Fund (e.g., following the vote of other third party lenders), subject to certain limitations. To the extent a Fund holds an interest in a loan or security that is different (including with respect to relative seniority) than those held by such other BC Partners vehicles (and vice versa), the applicable general partner and its affiliates may be presented with and/or may have limited or no rights with respect to decisions when the interests of the funds/vehicles are in conflict. In addition, a Fund may from time to time invest in debt securities and other obligations relating to portfolio entities in which other BC Partners vehicles hold or subsequently acquire an interest (and vice versa). To the extent a Fund makes or has an investment in, or, through the purchase of debt obligations becomes a lender to, a company in which another BC Partners vehicle has a debt or equity investment (or vice versa), or if another BC Partners vehicle, participates in a separate tranche of a financing with respect to a Portfolio Investment, the relevant Firm entity may have conflicting loyalties between its duties to the applicable Fund and to other affiliates. In that regard, actions may be taken for the other BC Partners vehicles that are adverse to a Fund (and vice versa). In addition, it is possible that in a bankruptcy proceeding a Fund's interest may be subordinated or otherwise adversely affected by virtue of such other BC Partners vehicles' involvement and actions relating to its investment. This may result in loss or substantial dilution of a Fund's investment, while BC Partners or another Fund or BC Partners vehicle recovers all or part of amounts due to it. The relevant general partner's ability to implement a Fund's strategies effectively may be limited to the extent that contractual obligations entered into in respect of investments made by BC Partners or any other Fund or BC Partners vehicle, including the Credit Funds, impose restrictions on a Fund engaging in transactions that the relevant general partner may otherwise be interested in pursuing.

In connection with negotiating loans and debt financings in respect of Firm-sponsored transactions, from time to time the Firm may obtain the right to participate on its own behalf (or on behalf of the Adjacent Vehicles and/or other BC Partners vehicles) in a portion of the financing with respect to such Firm-sponsored transactions on an agreed upon set of terms. The Firm does not believe that the foregoing would have an adverse effect on the overall terms and conditions negotiated with the arrangers of such loans and/or financing. Because of the affiliation with BC Partners, the general partners of the Funds and other Firm entities may have a greater incentive to invest in BC Partners sponsored financings (as compared to financing sponsored by other firms or financial sponsors). Except to the extent of fees paid to the Firm specifically relating to a Fund's commitment or investment of capital, the limited partners of the applicable Fund will in no way receive any benefit from fees paid to any affiliate of the Adviser from a Portfolio Investment in which any other BC Partners vehicles have an interest.

#### *Certain Credit Fund Benefits*

A PE Fund's portfolio companies may issue debt in which one or more Credit Funds may participate, including in the issuance of such debt. In connection with any such issuances, the applicable portfolio entity may pay arranger fees or other economics and the participating Credit Funds will generally benefit from receiving a pro rata share of any such fees or other economics. Such arranger fees will not be offset against the management fee of the relevant PE Fund.

#### *Feeder Vehicles*

A general partner may make feeder vehicles available to certain tax-exempt and non-U.S. investors for the purpose of making all or a portion of their investment in a Fund and/or an alternative investment vehicle through such entity (including with respect to certain types of investments) or to facilitate their participation with respect to certain investments or types of investments to be made by a Fund. Investors in a feeder vehicle will have indirect equity interests in the applicable Fund and/or such an alternative investment vehicle on generally the same economic terms as other investors in such Fund and/or such an alternative investment vehicle, subject to legal, tax, regulatory, structural, administrative and other similar considerations, and will bear both their pro rata share of the applicable fund expenses as well as any additional expenses and reporting costs related to the feeder vehicle.

#### *Conflicting Fiduciary Duties to Other BC Partners Vehicles*

The Firm may structure an investment as a result of which one or more other BC Partners vehicles (including the Adjacent Vehicles) are offered the opportunity to participate in the same or a separate debt tranche of an investment allocated to a Fund (and vice versa) or to acquire a debt interest in an investment in which a Fund already holds an equity interest (and vice versa). As adviser to both the applicable Fund and such other funds, vehicles and accounts, such Firm entity would owe a fiduciary duty to such other funds, vehicles and accounts as well as to the applicable Fund (as described more fully in "Investments in Which Other BC Partners Vehicles Have a Different Principal Investment; Co-Investment" above). For example, if the applicable Fund held a "mezzanine" interest in a Portfolio Investment and one or more of such other funds, vehicles or accounts were to own other debt or equity instruments relating to such Portfolio Investment, the Firm may, in certain instances, face a conflict of interest in respect of the advice it gives to, or the decisions made with regard to, the Fund and such other funds and/or vehicles (e.g., with respect to the terms of such other instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies).

#### *Investments Alongside Other BC Partners Vehicles*

A Fund will co-invest from time to time with one or more other BC Partners vehicles (including Adjacent Vehicles) in investments (at the same or different times and on such terms and conditions as may be determined on an investment by investment basis by the Firm in its discretion). Even if a Fund and any such other BC Partners vehicles invest in the same securities, conflicts of interest may arise. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investments (including with respect to price and timing) for a Fund and any other BC Partners vehicles may differ. There can be no assurance that a Fund and the other investing BC Partners vehicles (including Adjacent Vehicles) will exit the investment at

the same time or on the same terms, and there can be no assurance that a Fund's return on such an investment will be the same as the returns achieved by any other BC Partners vehicle participating in the transactions.

It is also expected that additional funds, vehicles and/or accounts will be established as part of both the Credit Business and the Private Equity Business to participate in credit-oriented investments (including investments alongside a Fund) and private equity buyout investments, respectively, and that such other funds, vehicles and/or accounts may have different terms, investment periods, expiration dates and / or investment objectives (including as to risk/return profiles and duration) from an existing Fund and the Firm as a result, may have conflicting goals with respect to the price and timing of purchase and sale opportunities and such differences may also impact the allocation of investment opportunities. See "Allocation of Investment Opportunities" above for additional information.

#### *Transactions Related to Other BC Partners Vehicles or with Investors*

The Firm expects that there will be circumstances where it causes a Fund to purchase securities from, or sell securities and investments to, other Funds or other BC Partners vehicles when the Firm believes such transactions are appropriate and in the best interests of the respective Funds. In such instances where a Fund invests in an investment, or sells an investment to, another BC Partners vehicle, or a subsidiary or affiliate of, or a fund or entity otherwise associated with, such investment, conflicts interest between a Fund, on the one hand, and other BC Partners vehicles, on the other, may arise and BC Partners may face a conflict of interest in respect of the actions it takes on behalf of a Fund and any other BC Partners vehicles. Any such conflict of interest involving such a transaction between a Fund and a BC Partners vehicle and/or two or more Funds will be managed in accordance with the Firm's internal conflicts of interest procedures and investment allocation policy, as amended from time to time.

There may be situations in which the Firm determines that a Fund should acquire investments from persons that are investors in such Fund and/or any prior or subsequent BC Partners vehicles. In those circumstances, there may be a potential conflict of interest between the interests of the relevant investor and those of the Fund in respect of the terms and, in particular the price, or any such acquisition.

There can be no assurance that the return on a particular Fund's investments will be the same as the returns obtained by another Fund participating in a given transaction or that any such conflict of interest between a particular Fund and another Fund can be resolved in a manner that is beneficial to each Fund.

Investments by more than one Fund in a portfolio entity may also raise the risk of using assets of one Fund to support positions taken by another Fund, or that one Fund may remain passive in a situation in which it is entitled to vote. BC Partners may also express inconsistent views for commonly held investments or of market conditions more generally. There can be no assurance that any such conflict can be resolved in a manner that is beneficial to either Fund. In that regard, actions may be taken for one or more Fund that adversely affect another Fund.

If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds (individually or with another Fund) may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by BC Partners in its sole discretion.

#### *BDC Co-Investment Opportunities*

As a business development company, a BDC is subject to certain regulatory restrictions in making its investments. For example, business development companies generally are not permitted to co-invest with certain affiliated entities in transactions originated by a business development company or its affiliates in the absence of an exemptive order from the SEC. However, business development companies are permitted to, and may, simultaneously co-invest in transactions where price is the only negotiated term. On October 23, 2018, the SEC issued an order granting the BDC's application for exemptive relief to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by the Adviser or its affiliates, and any future funds that are advised by the Adviser or its affiliated investment advisers. Under the terms of the exemptive order, in order for a BDC to participate in a co-investment transaction a "required majority" (as defined in Section 57(o) of the 1940 Act) of a BDC's independent directors must conclude that (i) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to the BDC and their stockholders and do not involve overreaching with respect of the BDC or its stockholders on the part of any person concerned, and (ii) the proposed transaction is consistent with the interests of the BDC's stockholders and is consistent with the BDC's investment objectives and strategies and certain criteria established by the board of directors.

#### *Other Fees; Fees from Portfolio Investments*

As described in Item 5, Other Fees may be paid to the Firm by or with respect to certain Portfolio Investments. The payment of such Other Fees by or with respect to Portfolio Investments creates a conflict of interest between the Firm and the Funds and their investors because the amounts of these Other Fees and reimbursements are often substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements unless a fee offset arrangement has been agreed. The Firm determines the amount of these fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to Portfolio Investments, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements often will not (except in connection with the reductions described herein) be disclosed to investors in the Funds unless otherwise provided for in the Organizational Documents of the applicable Fund.

Any fees received other than in connection with an investment by a Fund (including fees for services relating to other activities or portfolio entities) or with respect to capital invested alongside a Fund in an investment will not be subject to the applicable Fund's Advisory Fee offset provisions described herein. In addition, the Firm and its personnel can be expected to receive certain intangible and/or other benefits and/or discounts and/or perquisites arising or resulting from their

activities on behalf of a Fund which will not be subject to Advisory Fee offset or otherwise shared with the applicable Fund, the limited partners of the applicable Fund and/or Portfolio Investments.

In the event Dead Deal Costs are incurred or break-up or topping fees are paid to the general partner of a Fund in connection with a transaction that is not ultimately consummated, the general partner may, in its sole discretion, decide that certain co-investment vehicles (which may include standing co-invest vehicles and other accounts that participate in co-investment opportunities alongside the applicable Fund and/or the other BC Partners vehicles on a regular or periodic basis and/or as part of an overall co-investment program or arrangement) or certain potential co-investors who might have invested in a transaction had it been consummated will not be allocated any share of such break-up or topping fees or Dead Deal Costs (such as reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses) for unconsummated transactions. In particular, certain co-investment vehicles or certain potential co-investors who might have invested in a transaction had it been consummated (such as potential investors in co-investment structures relating to a specific investment where the legally binding agreements relating to such co-investment are not executed until the time of deal closing) will generally not bear Dead Deal Costs unless the general partner of a Fund determines otherwise in its sole discretion or such co-investor has specifically agreed to bear such Dead Deal Costs. Such determinations will be made on a case by case basis by the general partner of a Fund and may result in differing treatment of co-investment vehicles under certain circumstances. The foregoing will under certain circumstances result in a Fund bearing more than its pro rata share of such amounts. Notwithstanding the foregoing, any vehicles in connection with the Firm's own side-by-side / sponsor co-investment rights will bear their pro rata share of the Dead Deal Costs. In addition, a Fund may incur Dead Deal Costs for a proposed investment not consummated for the Fund, and BC Partners could eventually cause another BC Partners vehicle to make such investment and such other BC Partners vehicle would likely benefit from such Dead Deal Costs borne by the Fund and the Fund would not be reimbursed. Although the general partner of a Fund and any applicable Firm entity will seek to resolve any such conflicts in a fair and equitable manner, there is no assurance that any such conflicts will be resolved in favor of the applicable Fund.

A Fund will bear the cost of fund administration and other services (including supplemental administrative, collateral management and any other services relating to such Fund), and, except in certain limited circumstances, such amounts will only offset the Advisory Fees to the extent set out in the applicable Organizational Documents. The general partner of a Fund may cause such Fund or its Portfolio Investments to retain one or more Firm entities for the purpose of providing arranging, underwriting, financing, syndicating, refinancing, commitment, origination, placement, investment banking, divestment, structuring, loan modification or restructuring, servicing (including loan servicing and special servicing), advisory, asset management, monitoring and oversight of loans, consulting, organizational, administrative (including treasury, collateral management, and affirmation/confirmation) and other services. Conflicts of interest may arise from time to time as a result of the provision of any such services and any such fees received by affiliates of the general partner of any such Fund as compensation for such services may not be subject to the offset provisions, except as specifically set forth in the applicable Organizational

Documents. Any of the foregoing services may also be provided by third parties and/or affiliates of the Firm, and the costs thereof will be borne by the applicable Fund.

### *Fees and Expenses*

From time to time, the general partner of a Fund will be required to decide whether costs and expenses are to be borne by such Fund, on the one hand, or the Adviser or other applicable Firm entity, on the other, and/or how certain costs and expenses should be allocated between such Fund and the parallel funds or between such Fund, on the one hand, and other BC Partners vehicles, on the other. The general partner of the Fund will make such judgments notwithstanding its interest in the outcome, in accordance with the respective Fund's Organizational Documents as well as the Firm's expense allocation policy, as may be amended from time to time. Such allocation determinations are inherently subjective and give rise to conflicts of interest between the Firm, such Fund and other BC Partners vehicles due to the inherent biases in the process. Notwithstanding the foregoing, the portion of an expense allocated to a Client for a particular service may not reflect the relative benefit derived by such Client from that service in any particular instance.

There are expected to be instances where a Credit Fund makes an investment in a portfolio company in conjunction with an investment made by a PE Fund. In such circumstances, the appropriate allocation between the Funds for fees and expenses generated in the course of evaluating and making such investments, 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 discretion. Allocations related to such fees and expenses will not always be proportional, and any such allocation determinations are inherently subjective, e.g., in determining whether to allocate pro rata based on number of Funds or proportionately in accordance with the share of due diligence actually relied upon, and will be performed in accordance with BC Partners' expense allocation policy. Further, if a Credit Fund makes an investment in a then-current PE Fund portfolio company, and in the course of evaluating and making such investment receives information directly from the respective PE Investment Team, the Credit Fund shall not be obligated to reimburse the respective PE Fund for receiving such information. There may also be instances where the PE Investment Team leverages the Credit Investment Team's debt expertise to assist on various portfolio company related matters at no cost. If a Credit Fund later makes an investment in a PE Fund portfolio company using information received by the Credit Investment Team while providing services to a PE Fund, the Credit Fund shall not be obligated to reimburse any costs associated with receiving such information.

In addition, in certain circumstances, a Fund may incur abort costs for a proposed investment not completed by such Fund. If BC Partners were to eventually have one or more other BC Partners vehicles make such investment, BC Partners or such other BC Partners vehicle would likely benefit from the abort costs borne by the relevant Fund, for which the Fund shall not seek reimbursement.

### *Other Relationships with Funds and Companies*

The Firm may have or develop relationships with portfolio companies and their representatives. Such relationships may include serving as a member of the board of directors or similar body of a portfolio company, seeking a buyer or equity investor on behalf of such portfolio company and advising such portfolio company as to appropriate candidates for such acquisition or investment.

Additionally, the investment professionals of the Firm may, from time to time, serve as directors, officers, investment committee members or otherwise manage the assets of certain accounts or other vehicles affiliated with the Firm, and in connection therewith, receive compensation. Such compensation is generally not payable to the Firm and not subject to any offset in respect of the management fees payable by any Fund to the Firm or any of its affiliates. The payment of such compensation creates a conflict of interest because (i) it may create an incentive for such investment professionals to allocate potential investment opportunities to such other accounts or other vehicles in lieu of allocating (or allocating to a lesser extent) such investment opportunities to any Fund and (ii) such investment personnel may be incentivized to spend less time managing the assets of the Funds in favor of such other accounts or vehicles from which such persons receive compensation. The Firm has determined that such other accounts or vehicles shall be treated for purposes of both the Firm's guidelines on allocation of investment opportunities and allocation of the business time of such investment professionals, as clients of the Firm and investment opportunities available for such accounts or vehicles as well as certain Funds of the Firm shall be allocated in accordance with the methodology described under "*Conflicts--Allocation of Investment Opportunities*" above.

In addition, from time to time, portfolio company board members approve compensation and other amounts payable to the Adviser in connection with services provided by the Adviser and its affiliates to such portfolio company (including in connection with broker-dealer services provided by BC Partners Securities LLC), and, except to the extent such amounts are subject to the offset provisions set forth in the respective Fund's Organizational Documents, are in addition to the Management Fee or carried interest. The Adviser's authority to appoint or influence the appointment of portfolio company board members who may be involved in approving compensation payable to the Adviser subjects the Adviser and any such portfolio company board appointees to potential conflicts of interest.

Furthermore, a portfolio company typically will reimburse the Adviser or service providers retained at the Adviser's discretion for expenses (including, without limitation, travel expenses) incurred by the Adviser or such service providers in connection with the performance of services for such portfolio company. This subjects the Adviser to conflicts of interest because a Fund generally does not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the respective Fund's Organizational Documents and the Adviser's internal reimbursement policies and practices, the Adviser determines the amount of these reimbursements for such services in its own discretion.

### *Human Capital*



Certain individuals of the Adviser and/or BC Partners, including the members of the respective Investment Team, will devote only a portion of their time to the provision of management or advisory services (as applicable) to a respective Fund. Such individuals will provide the time necessary for the proper performance of their duties to the Fund, even though they are involved in other activities independent of the Fund, including the affairs of other BC Partners vehicles. It is possible that investments held or acquired by prior or subsequent BC Partners vehicles may be in competition with those of a Fund. The fact that certain of the Adviser's and/or BC Partners' individuals who are involved in the provision of management or advisory services (as applicable) to a Fund are also involved in or have knowledge of investments of such other BC Partners vehicles may prevent a Fund from making or divesting certain investments which it might otherwise have made or divested. Conflicts may also arise in the allocation of management and human capital resources among the Adviser's and/or BC Partners' various activities.

#### *Operating Advisors and Consultants*

The Adviser may work with or alongside one or more consultants and advisors (including, for the avoidance of doubt, Operating Advisors) who are retained by the Firm on a consultancy or retainer or other basis, to provide services to a Fund and other BC Partners vehicles including the sourcing of investments and other investment-related and support services from time to time. The functions undertaken by such persons with respect to a Fund and any of its investments will not be exclusive and such persons may perform similar functions and duties for other organizations which may give rise to conflicts of interest. Such persons may also be appointed to the board of directors of companies and have other business interests which give rise to conflicts of interest with the interests of such Fund or a portfolio entity of such Fund. Investors should note that such persons may retain compensation that will not offset the management fee payable to the manager of the applicable Fund, including that: (i) such persons are permitted to retain all directors' fees, monitoring fees and other compensation (including, but not limited to, cash fees, retainers, transaction fees, a profits or equity interest in a portfolio entity, incentive equity and stock awards, profits or equity interests in one or more Funds or general partners, remuneration from the Adviser and/or its Funds or affiliates, guaranteed minimums or other compensation) received by them in respect of acting as a director or officer of, or providing other services to, a portfolio entity and such amounts shall not be credited against the management fee; (ii) certain of such persons may be paid a deal fee, a consultancy fee or other compensation where they are involved in a specific project relating to the applicable Fund, which fee will be paid either by such Fund or, if applicable, the relevant portfolio entity; and (iii) such persons may be invited to invest in or alongside the applicable Fund in investments, as part of a participation scheme or otherwise, and will be entitled to retain all of the proceeds generated from such investments. Operating Advisors also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset or reduce the management fee.

Operating Advisors generally receive investment opportunities, reimbursements and other compensation that do not offset or reduce the management fee of any Fund, as described herein. Although the use of Operating Advisors and the allocation of compensation paid to them by the Adviser, its affiliates and/or the portfolio entities subjects the Adviser and/or its affiliates to

potential conflicts of interest, the Adviser believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio entities (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operating Advisor is lower than market rates for the services provided and/or if the services of the Operating Advisor align with the Adviser's model for the portfolio entity and improve portfolio entity performance. Although the Adviser seeks to retain Operating Advisors with a view to reducing costs to portfolio entities (and, ultimately, the Funds) and/or improving portfolio entity performance, a number of factors may result in limited or no cost savings from such retention. The Adviser also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Adviser believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only Operating Advisors and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

#### *Service Providers and Counterparties*

Certain advisors and other service providers (or their affiliates), including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, title agents and investment or commercial banking firms, to a Fund, the Firm and/or certain Portfolio Investments may also provide goods or services to or have business, personal, financial or other relationships with the Adviser, other Firm entities and Portfolio Investments, including entities with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where the Adviser's personnel are seconded, or from which the Adviser receives secondees. Such advisors and service providers may be investors in a Fund, affiliates of the general partner of a Fund, sources of investment opportunities or co-investors or commercial counterparties or entities in which the Firm and/or other BC Partners vehicles have an investment, and payments by a Fund and/or Portfolio Investments may indirectly benefit the Firm and/or such other BC Partners vehicles. Additionally, certain employees of the Firm may have family members or relatives employed by such advisors and service providers. The Firm may also provide administrative services to a Fund for a fee. These relationships may influence the relevant Firm entity and/or the general partner of a Fund in deciding whether to select, recommend or create such an advisor or service provider to perform services for a Fund or a Portfolio Investment (the cost of which will generally be borne directly or indirectly by such Fund or such Portfolio Investment, as applicable) and may incentivize the Firm to engage such a service provider over a third party. Such affiliated service providers are generally expected to receive market rate fees (as determined by the general partner of the applicable Fund) with respect to such arrangements. Certain employees and other professionals of the Firm have family members or relatives that are actively involved and/or have business, personal, financial or other relationships with issuers in which a Fund invests or may invest, which gives rise to potential or actual conflicts of interest. In certain instances, a Fund or its Portfolio Investments may purchase or sell companies or assets from or to, or otherwise transact with, companies that are owned by such family members or relatives or in respect of which such family members or relatives have

other involvement. In most such circumstances, the applicable Organizational Documents will not preclude a Fund from undertaking any particular investment activity and/or transaction.

The Adviser, BC Partners and its affiliates may also provide services or transact with a Fund. Any such transactions will generally be subject to the review of the respective Fund's advisory committee in accordance with the respective Organizational Documents.

The Adviser or its affiliates and service providers, often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required, and the time demands of the service provider. As a result, to the extent the services required by the Adviser or its affiliates differ from those required by the Funds and/or its portfolio companies, the Adviser and its affiliates will pay different rates and fees than those paid by the Funds and/or its portfolio companies. Notwithstanding the foregoing, the Adviser generally does not enter into any arrangement with a service provider that provides for a lower rate or discount than those available to a Fund or a portfolio company for comparable services.

In addition, the Adviser, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Adviser and/or its affiliates, and/or the Funds or other investment vehicles they advise. The Adviser expects to be subject to a potential conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is influenced by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide the Adviser information about markets and industries in which the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser or one or more other Funds. For example, the Adviser reserves the right to cause a Fund to make payments to investment banks and/or other intermediaries, all or a portion of which is for the purpose of generating future deal flow for such Fund; however, there can be no assurance that such payments will result in future deal flow, and in certain cases, future deal flow may inure to the benefit of another or a successor Fund rather than the Fund making the payment. The Adviser expects to be subject to a potential conflict of interest in making such recommendations.

#### *Broker-Dealer and Similar Services Provided by BC Partners Securities*

The relationship between the Firm and their affiliates and BC Partners Securities gives rise to conflicts of interest between the Firm and (i) Clients with respect to whom BC Partners Securities provides services or (ii) Clients who have an interest in any Portfolio Investment or investment vehicle to which BC Partners Securities provides services. Supervised persons who provide portfolio management services to Clients on behalf of the Firm also are involved in the business

and operations of BC Partners Securities. Such supervised persons face conflicts of interest in dedicating time and resources to Clients, which may have a detrimental effect on Client performance. Additionally, such supervised persons may serve on the board of directors or management for a portfolio company and be responsible for engaging BC Partners Securities to provide services. The Firm addresses conflicts of interest by providing in its Code of Ethics that all supervised persons have a duty to act in the best interests of each Client and by providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under the Firm's policies and procedures

#### *Transactions with Limited Partners and other Related Parties*

It is also possible that a Fund or a Portfolio Investment will be a counterparty or participant in agreements, transactions or other arrangements with a limited partner or an affiliate of a limited partner of such Fund, including where such limited partner provides services to the applicable Fund or such Portfolio Investment and/or provides leverage to the applicable Fund and/or such Portfolio Investment. Such transactions may include agreements to pay compensation and/or performance fees to Operating Advisors and other persons in connection with a Fund's investment therein, which will reduce a Fund's returns and will not necessarily be subordinated to the return of the limited partner's capital contributions. Conflicts of interest may arise in dealing with any such limited partners, and the general partner of the applicable Fund and its affiliates may not be motivated to act solely in accordance with its interests relating to such Fund. In addition, certain limited partners of a Fund may have more information about such Fund than other limited partners, and the general partner of the Fund will have no duty to ensure all limited partners seek, obtain or process the same information regarding the applicable Fund and its investments and/or Portfolio Investment. Moreover, the Adviser may enter into one or more strategic relationships with limited partners of the Funds or third parties as part of the Credit Business (or otherwise) in certain regions or with respect to certain types of investments that, although may be intended to provide greater opportunities for a Fund, may require a Fund to share such opportunities.

#### *Valuation Matters*

The fair value of all investments or of interest received in exchange for any investments will be determined by the general partner of the applicable Fund in accordance with the applicable Organizational Documents. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of such investments will be determined by the general partner of the applicable Fund in accordance with procedures set forth in the applicable Organizational Documents. The valuation of investments will affect the amount and timing of a general partner's carried interest and, under certain circumstances, the amount of management fees payable to the Firm. The valuation of investments may also affect the ability of the Firm to raise a successor fund to any Fund. As a result, there may be circumstances where the general partner of a Fund is incentivized to determine valuations that are higher than the actual fair value of investments.

#### *Trading and Investing Activities of BC Partners Personnel and Affiliates*

Certain other BC Partners vehicles, and officers, directors, partners, members, employees and shareholders of the general partner of the applicable Fund and the relevant Firm entity, are permitted to invest in securities of companies which are actual or potential entities in which a Fund has made or will make investments, subject to restrictions and reporting requirements as may be required by law and BC Partners policies (including, with respect to BC Partners personnel, that any such transaction be financially immaterial), or as otherwise determined from time to time by the general partner of the applicable Fund or the relevant Firm entity. Subject to the foregoing, BC Partners personnel may trade in securities for their own accounts. The trading activities of those vehicles and of BC Partners personnel generally may differ from or be inconsistent with activities which are undertaken for the account of a Fund in such securities or related securities. In addition, a Fund may be precluded from pursuing an investment in an issuer as a result of such trading activities by other BC Partners vehicles, which may adversely impact such Fund. In certain instances, this may include BC Partners vehicles or personnel holding investments at different levels of the same issuer's capital structure than the applicable Fund or BC Partners vehicle. For additional information related to such conflicts of interest, please see *"Investments in Which Other BC Partners Vehicles Have a Different Principal Investment; Co-Investment"* above.

BC Partners staff that are also director representatives of a portfolio company or its affiliates are permitted to buy and sell securities on a personal account basis in an IPO of such companies if certain criteria are met, including pre-approval from the BC Partners Compliance team. This may create conflicts of interest with the Clients and the portfolio companies, including: (i) the director representatives, along with the rest of the board of directors of such company, will be involved in setting the price of the IPO, (ii) the director representatives may have different investment holding period requirements from the portfolio company and the Clients, and (iii) the director representatives may wish to exercise any voting rights in a way that could conflict with the Clients and the portfolio companies. BC Partners addresses these conflicts of interest by providing training to director representatives with respect to conflicts of interest and how such conflicts are resolved under the BC Partners' policies and procedures.

#### *Other Potential Conflicts*

The Organizational Documents of a Fund establish complex arrangements among the Funds, the Adviser, other Firm entities, 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, 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 Firm 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 Firm and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund and may also represent

one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds and any Firm entity, the parties may engage separate counsel in the sole discretion of the relevant Firm entity, and in litigation and other circumstances separate representation may be required. Additionally, the Firm and the Funds and the portfolio companies of the Funds engage other common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to a Firm entity, the Funds, and/or the portfolio companies. This may result in the Firm receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Funds and/or the portfolio company, or the Firm receiving a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between the Firm, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Firm will favor the engagement or continued engagement of such persons if it receives a tangible or intangible 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 Firm and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses may result in “miles” or “points” or credit in loyalty/status programs to the relevant Firm entity and/or its personnel, and such rewards and/or amounts will exclusively benefit the relevant Firm entity and/or such personnel and will not be subject to the offset arrangements described above or otherwise shared with such Fund, its investors and/or the portfolio companies.

The Firm 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 Firm. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Firm 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.

Investors may be introduced to the Adviser, or may be brought in a Fund, by a third-party consultant from which the Adviser or its affiliate purchase products and to which the Adviser or an affiliate may make payments, including in connection with conferences sponsored or hosted by the third-party consultant.

The Adviser has in the past and may, from time to time in the future, cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, the

Adviser and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more Funds and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Funds, and/or the Adviser on a fair and reasonable basis and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

Certain portfolio companies of the Funds are, or have been, counterparties or participants in agreements, transactions or other arrangements with the Firm, its affiliates, other portfolio companies of the Firm’s clients, to receive favorable procurement terms, including fees, servicing payments, rebates, discounts or other financial benefits. The Firm is often eligible to receive favorable terms for its procurement due in part to the involvement of its portfolio companies in such arrangements, and any discounted amounts will not be subject to Advisory Fee offsets or otherwise shared with the relevant Funds.

If a Fund purchases in the secondary market at a discount debt securities of a company in which such Fund has, for example, a substantial equity interest, (a) a court might require such 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) such 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.

#### *Receipt of Performance-Based Compensation*

Certain members of each of the Credit Investment Team and PE Investment Team may receive compensation that is based, in part, on the performance of one or more of the Clients. The existence of these compensation arrangements may create an incentive for such members of the Credit Investment Team or PE Investment Team to recommend more speculative investments than they might otherwise recommend in the absence of such performance-based compensation, although the commitment of capital to the Funds made by members of the applicable Investment Team should somewhat reduce this incentive.

#### Conflicts Relating to Credit Clients

##### *BC Partners Credit Business; Adjacent Vehicles*

It is anticipated that a Credit Fund will be part of a broader BC Partners opportunistic credit-oriented investment platform, which will seek to provide investors with exposure to credit-oriented investments on an opportunistic basis utilizing a variety of credit investing strategies. The Adviser

may in its sole discretion in the future establish other BC Partners vehicles or Adjacent Vehicles. For any investments that fall within the investment objectives of a Credit Fund and any Adjacent Vehicles (if established), such investments will generally be allocated on a fair and reasonable basis as described in more detailed in “*Allocation of Investment Opportunities*” above. In addition, a Credit Fund may from time to time participate in investments in or relating to portfolio entities in which Adjacent Vehicles or other BC Partners vehicles already have an investment (or vice versa), and any successor fund of such Credit Fund may also participate in investments relating to portfolio entities in which the applicable Credit Fund has an investment (or vice versa). Such arrangements may result in a Credit Fund’s interests in any such investments being subject to dilution and may give rise to other significant risks and conflicts of interest and there can be no assurance that such Credit Fund will not be adversely affected by such arrangements.

#### *Relationships with Borrowers and/or Issuers*

Borrowers and/or issuers are or will be counterparties or participants in agreements, transactions or other arrangements with portfolio entities of other Funds managed by the Adviser or other Adviser affiliates in connection with providing arranging, underwriting, financing, syndicating, refinancing, commitment, origination, placement, investment banking, divestment, structuring, loan modification or restructuring, servicing (including loan servicing and special servicing), advisory, asset management, monitoring and oversight of loans, consulting, organizational, administrative (including treasury, collateral management, and affirmation/confirmation) and other services described above under “*Other Fees: Fees from Portfolio Investments*”, that, although the Adviser determines to be consistent with the requirements of such Funds’ governing agreements, would not have otherwise been entered into but for the affiliation with the Adviser, and which involve fees and/or servicing payments to Adviser affiliated entities which are not subject to the management fee offset provisions described in “*Other Fees: Fees from Portfolio Investments*.” In connection with such relationships, the Adviser may also make referrals and/or introduction to certain borrowers and/or issuers (which may result in financial incentives (including additional equity ownership) and/or milestones benefitting the Adviser that are tied or related to participation by such borrowers and/or issuers). A Credit Fund and the applicable limited partners will not share in any fees or economic accruing to the Adviser as a result of these relationship and/or participation by such borrowers and/or issuers.

In addition, it is possible that certain portfolio entities of the other BC Partners vehicles or companies in which the other BC Partners vehicles have an interest will compete with a Credit Fund for one or more investment opportunities and/or engage in activities that may have adverse consequences on such Credit Fund and/or its portfolio entities.

As described more fully elsewhere in this brochure, a Credit Fund may invest in loans, credit instruments and/or securities of the same issuers as other investment vehicles, accounts and clients of the Adviser and/or the general partner of such Credit Fund. To the extent that a Credit Fund holds interests that are different (or more senior) than those held by such other vehicles, accounts



and clients, the general partner of the applicable Credit Fund and the Adviser and their affiliates may be presented with decisions involving circumstances where the interests of such vehicles, accounts and clients are in conflict with those of such Credit Fund. Furthermore, it is possible a Credit Fund's interest may be subordinated or otherwise adversely affected by virtue of such other vehicle's, account's or client's involvement and actions relating to its investment.

The Adviser may from time to time participate in underwriting or lending syndicates with respect to Portfolio Investments of a Credit Fund, or otherwise be involved in the offering and/or private placement of debt or equity securities issued by, or loan proceeds borrowed by, the Portfolio Investments, or otherwise in arranging financing (including loans) for Portfolio Investments or advising on such transactions. The Adviser may also from time to time, on behalf of a Credit Fund or other parties to a transaction involving a Credit Fund, effect transactions, including transactions in the secondary markets where it will from time to time nonetheless have a potential conflict of interest regarding such Credit Fund and the other parties to those transactions to the extent it receives commissions or other compensation from the Credit Fund and such other parties.

#### *Providing Debt Financing in connection with Acquisitions or Dispositions*

A Credit Fund may from time to time provide financing (1) as part of a third party purchaser's bid or acquisition of a portfolio entity or related interests (including portfolios and/or pools thereof) from one or more other BC Partners vehicles and/or (2) with respect to one or more portfolio entities or borrowers in connection with a proposed acquisition or investment by one or more other BC Partners vehicles or affiliates relating to such portfolio entities and/or their related interests (including portfolios and/or pools). This may include making commitments to provide financing at, prior to or around the time that any such purchaser commits to or makes such investments (which may be made alongside other BC Partners vehicles). A Credit Fund may also make investments and provide debt financing with respect to Portfolio Investments in which other BC Partners vehicles and/or affiliates hold or propose to acquire an interest (e.g. portfolio entities in which certain other Funds hold an equity interest). While the terms and conditions of any such arrangements will generally be on market terms, the involvement of such Credit Fund and/or such other BC Partners vehicles or affiliates may affect the terms of such transactions or arrangements and/or may otherwise influence or the Adviser's decisions with respect to the management of such Credit Fund and/or such other BC Partners vehicles or the relevant Portfolio Investment, which may give rise to potential or actual conflicts of interest and which could adversely impact the applicable Credit Fund. The foregoing may also apply similarly to refinancing arrangements.

## **ITEM 12. BROKERAGE PRACTICES**

As the Clients invest primarily in credit-oriented instruments and private equity investments, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences

(e.g., money market instruments pending investment in a portfolio company, securities held as a result of IPOs of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Clients, the Adviser has adopted written policies (collectively, the “**order handling policy**”) to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

For each of the Clients, the Firm has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Firm will seek to obtain the best execution for the Fund taking into account the factors discussed below. “Best execution” is a qualitative standard that generally means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), whilst at all times taking into account the circumstances of the transaction and the execution factors set forth below.

The Firm considers and determines the relative importance of all the execution factors, by reference to the execution criteria, which are (i) the fact that the client (i.e., a Fund) is a per-se professional client and (ii) the characteristics of the client order, of the instruments concerned and of the venues to which that order can be directed.

The execution factors include price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. The Firm may also consider, among other things, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Firm may consider the use of Electronic Communications Networks (“ECNs”) when placing trades on behalf of the Funds. To the extent consistent with achieving best execution, the Firm may also consider other business a particular broker or dealer may have done with the Firm, such as identifying investment opportunities, performing investment banking services and providing services to the Firm’s principals. When purchasing or selling over-the-counter securities with market makers, the Firm generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

The Organizational Documents of each Fund prescribe whether the Clients can utilize “soft dollars.” As a matter of policy, the Firm will not utilize soft dollars, although it may in the ordinary course receive unsolicited research and other brokerage products from broker-dealers as part of the brokers’ full range of services. Such unsolicited materials might benefit the Clients and could therefore be construed as “soft dollars.” A conflict of interest exists when a broker-dealer provides such research services, however, as the Firm will have an incentive to favor such broker-dealer over others that may charge lower commissions. However, the Firm will select broker-dealers that it in good faith believes will provide best execution in respect of the Funds.

### **Aggregation of Trades**

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Client for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of the PE Funds and/ or the Credit Clients 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 aggregates trade orders for publicly traded securities so that each participating Client will receive the average price for each execution of a transaction.

If an order for more than one Client for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

## **ITEM 13. REVIEW OF ACCOUNTS**

### **Oversight and Monitoring**

The Adviser monitors the Clients' investment portfolios on an ongoing basis. In relation to the PE Funds, once an investment has closed, the Adviser's deal team that completed the investment analysis and negotiation on behalf of a PE Fund are responsible for overseeing and monitoring the portfolio company through to exit. Depending on the particular PE Fund, the deal team will work closely with the Portfolio Review Meeting and Quarterly Portfolio Tracker Meeting to ensure that the portfolio company investment is being monitored appropriately. When the portfolio company investment is nearing an exit, or partial exit, the deal team will work with the PE Investment Committee.

In relation to the Credit Clients, the Credit Investment Team is responsible for monitoring the portfolio on an ongoing basis and they will work with the Credit Investment Committee.

### **Reporting**

Investors in the Funds typically receive, among other things, a copy of the audited financial report of the relevant Fund within 120 days after the conclusion of each financial year of such Fund. Each Fund may also provide additional regular reports to investors, the nature and frequency of which depend on the terms of the relevant Organizational Documents and any regulatory requirements of jurisdictions where the Funds are organized. The Adviser and the applicable general partner, if any, will from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate. Reporting requirements in respect of a SIF, Account, BDC or other Credit Client will be set forth in the operating agreements of such SIF, Account, BDC or other Credit Client. With respect to the BDC, the BDC will furnish

its stockholders with annual reports containing audited financial statements, quarterly reports, and such other periodic reports that it determines to be appropriate or as may be required by law. The BDC is required to comply with all periodic reporting, proxy solicitation and other applicable requirements under the 1934 Act.

#### **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. 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 has in the past, and may from time to time in the future engage one or more persons to act as a placement agent for a PE Fund or Credit Client in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such PE Fund or Credit Client that are subsequently accepted and in certain instances a retainer. Such fees are paid by the Firm and not the Clients.

#### **ITEM 15. CUSTODY**

Item 15 is not applicable to the Adviser

#### **ITEM 16. INVESTMENT DISCRETION**

Investment advice is provided directly or indirectly to the Funds, the SIFs, and the BDC, and not individually to the investors in such vehicles. With regard to Accounts the investment advice is provided to the relevant person/ entity in each case. Discretionary authority over the investments of the Credit Clients is exercised in accordance with the Advisory Agreements with such Credit Clients and/or Organizational Documents of the applicable Credit Fund. Investment restrictions, if any, are generally established in the Organizational Documents of the applicable Fund or the operating agreement of any Account or other Credit Client.

#### **ITEM 17. VOTING CLIENT SECURITIES**

The Firm has established written policies and procedures setting forth the principles and procedures by which the Firm votes or gives consent with respect to securities owned by the Funds (“**Votes**”). The guiding principle by which the Firm votes all Votes is to vote in the best interests of each Fund or other Client by maximizing the economic value of the relevant Client’s holdings, taking into account the relevant Client’s investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Firm does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Firm's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Firm reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the CCO or the relevant Firm investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds and other Clients generally cannot direct the Firm's Vote.

All Voting decisions initially are the responsibility of the Firm's investment professionals, unless there is a material conflict of interest, in which case they should raise it with the CCO. In most cases, the Firm's investment professionals will make the decision as to the appropriate vote for any particular Vote. In making such decision, they may rely on any of the information and/or research available to them. In the event of a material conflict of interest, if the investment professional and the CCO are unable to arrive at an agreement as to how to vote, then the CCO may consult with the Firm's Investment Committee Chairman as to the appropriate vote, who will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds' holdings.

All Firm investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

Where the CCO deems appropriate in his or her sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the CCO shall have the power to retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Client and copies of proxy voting policies are available to any client or prospective client by contacting [compliance@bcpartners](mailto:compliance@bcpartners) or upon written request to: BC Partners Advisors L.P., Attn: Chief Compliance Officer, 650 Madison Avenue, 23<sup>rd</sup> Floor, New York, New York 10022.

## **ITEM 18. FINANCIAL INFORMATION**

Item 18 is not applicable to the Adviser.