

Sierra Crest Investment Management LLC

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Part 2A of Form ADV: Firm Brochure
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This brochure provides information about the qualifications and business practices of Sierra Crest Investment Management LLC. 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 Sierra Crest Investment Management LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

This is the Adviser's initial ADV 2A and therefore there are no material changes.

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	5
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	7
ITEM 7. TYPES OF CLIENTS	8
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	8
ITEM 9. DISCIPLINARY INFORMATION	35
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	35
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	36
ITEM 12. BROKERAGE PRACTICES	53
ITEM 13. REVIEW OF ACCOUNTS	55
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION	55
ITEM 15. CUSTODY.....	55
ITEM 16. INVESTMENT DISCRETION	55
ITEM 17. VOTING CLIENT SECURITIES	55
ITEM 18. FINANCIAL INFORMATION.....	56
ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	57

ITEM 4. ADVISORY BUSINESS

For purposes of this brochure, the “**Adviser**” means Sierra Crest Investment Management LLC, a Delaware limited liability company. The Adviser was formed on December 4, 2018 and is an affiliate of BC Partners (as defined below). BC Partners has other affiliates that provide advisory services to and/or receive advisory fees in respect of the Clients (as defined below) and other clients. Those affiliates and BC Partners are collectively referred to as “**BC Partners**.” Sierra Crest Investment Management LLC is principally owned by BCPSC Holdings LLC, which is controlled by BC Partners. LibreMax is a minority owner of the Adviser.

BC Partners 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 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**”). Advisory personnel of the Adviser are not involved in the Private Equity Business. BC Partners 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**”). BC Partners 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 currently provides investment advisory services to a business development company (the “**Sierra Crest BDC**”) regulated under the Investment Company Act of 1940, as amended (the “**1940 Act**”) and a collateralized loan obligation (the “**Sierra Crest CLO**”), as further described below. The investment advisory services provided to the Sierra Crest BDC and the Sierra Crest CLO by the Adviser take place within the Credit Business.

The Credit Business

The Credit Business of BC Partners primarily makes credit-oriented investments on an opportunistic basis. Funds organized under the Credit Business (excluding the BDCs (as defined below)) are referred to herein as the “**Credit Funds**” and together with the PE Funds and other BC Partner client accounts, the “**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 of 1933, as amended (the “**Securities Act**”). BC Partners also provides investment advisory services to certain managed accounts (“**Accounts**”) and a business development company registered under the 1940 Act (“**BCP 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). The BCP BDC and the Sierra Crest BDC are collectively referred to herein, as the context permits, as the “**BDCs**.” The Adviser currently provides investment advisory services to the Sierra Crest BDC. The Adviser also serves as a sub-adviser to the Sierra Crest CLO. The Credit Funds, Accounts, SIFs, BDCs, Sierra Crest CLO 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, BC Partners may act as investment manager, investment adviser or other type of adviser, depending on each structure.

In relation to the Credit Clients, BC Partners’ 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 investment team in respect of the Credit Business (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 BC Partners’ investment team in respect of the Private Equity Business (the “**PE Investment Team**” and together with the Credit Investment Team, the “**Investment Teams**”) 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.

With respect to the Sierra Crest BDC, the Adviser is responsible for managing the Sierra Crest BDC’s business and activities, including sourcing investment opportunities, conducting research, performing diligence on potential investments, structuring the Sierra Crest BDC’s investments, and monitoring the Sierra Crest BDC’s portfolio companies on an ongoing basis through a team of investment professionals. As of December 31, 2019, the Adviser manages a total of \$588,446,410 of client assets, all of which is managed on a discretionary basis.

The CLO Business

The Adviser also provides investment advisory services to Sierra Crest CLO, a private investment fund structured as a “Collateralized Loan Obligation or “CLO.” The Adviser acts directly as a sub-adviser to the Sierra Crest CLO pursuant to a sub-advisory agreement with its collateral manager, KCAP Management, LLC (“**KCAP Management**”) a subsidiary of the Sierra Crest BDC.

ITEM 5. FEES AND COMPENSATION

Clients and investors should review the relevant investment advisory agreements or other operating agreements to fully understand the total amount of fees and expenses that may be paid. As compensation for investment advisory services rendered by the Adviser in respect of the Sierra Crest BDC, the Adviser will receive a management or advisory fee (an “**Advisory Fee**”) equal to: for the period from April 1, 2019 (the “**Effective Date**”) through the end of the first calendar quarter after the Effective Date (the “**Initial Period**”), the management fee is calculated at an annual rate of 1.50% of the Sierra Crest BDC’s gross assets, excluding cash and cash equivalents, but including assets purchased with borrowed amounts, as of the end of such calendar quarter. Subsequent to the Initial Period, the management fee will be calculated at an annual rate of 1.50% of the Sierra Crest 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; provided, however, that the management fee will be 1.00% of the Sierra Crest BDC’s average gross assets, excluding cash and cash equivalents, but including assets purchased with borrowed amounts, that exceed the product of (i) 200% and (ii) the value of the Sierra Crest BDC’s net asset value at the end of the most recently completed calendar quarter. The Advisory Fee for any partial month or quarter will be appropriately prorated and adjusted for any share issuances or

repurchases during the relevant month or quarter. The Advisory Fee for the Sierra Crest BDC is payable quarterly in arrears on a calendar quarter basis to the Adviser.

Generally, all costs and expenses of Sierra Crest BDC's operations and transactions, including, without limitation, those items listed in the relevant investment advisory agreement and the administration agreement, will be borne by the Sierra Crest BDC. Additionally, the Sierra Crest BDC bears an allocable portion of the compensation paid by the Adviser, the Administrator (as defined below) or their affiliates to the Sierra Crest BDC's chief compliance officer and chief financial officer and their respective staffs (based on a percentage of time such individuals devote, on an estimated basis, to the Sierra Crest BDC's business affairs).

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

Generally, under each of the (i) administration agreement between the Sierra Crest BDC and BC Partners Management LLC (the "**Administrator**"), an affiliate of the Adviser and BC Partners, and (ii) the administration agreement between the BCP BDC and the Administrator, payments are equal to an amount that reimburses the Administrator for the costs and expenses incurred by the Administrator in performing its obligations and providing personnel and facilities under the respective administration agreement (including rent, office equipment and utilities) for each BDC's use. Payments under the administration agreements are equal to an amount that reimburses the Administrator for its costs and expenses and each BDC's allocable portion of overhead incurred by the Administrator in performing its obligations under the respective administration agreement.

Additionally, each BDC will bear an allocable portion of the compensation paid by its respective investment adviser, the Administrator or their affiliates to the respective BDC's chief compliance officer and chief financial officer and their respective staffs. Each 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 its respective adviser pursuant to the investment advisory agreement; (ii) the BDC's allocable portion of overhead and other expenses incurred by its adviser in performing its administrative obligations under the investment advisory agreement, and (iii) all other expenses of the BDC's operations and transactions including, without limitation, those relating to: (i) the cost of the BDC's organization and any offerings; (ii) the cost of calculating the BDC's net asset value, including the cost of any third-party valuation services; (iii) the cost of effecting any sales and repurchases of the BDC's common stock and other securities; (iv) fees and expenses payable under any dealer manager or placement agent agreements, if any; (v) administration fees payable under the respective Administration Agreement and any sub-administration agreements, including related expenses; (vi) debt service and other costs of borrowings or other financing arrangements; (vii) costs of hedging; (viii) expenses, including travel expense, incurred by the Adviser, or members of the investment team, or payable to third parties, performing due diligence on prospective portfolio companies and, if necessary, enforcing the BDC's rights; (ix) transfer agent and custodial fees; (x) fees and expenses associated with marketing efforts; (xi) federal and state registration fees, any stock exchange listing fees and fees payable to rating agencies; (xii) federal, state and local taxes; (xiii) independent directors' fees and expenses including certain travel expenses; (xiv) 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; (xv) 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 personnel responsible for the preparation of the foregoing and related matters; (xvi) commissions and other compensation payable to brokers or dealers; (xvii) research and market data; (xviii) fidelity bond, directors and officers errors and omissions liability insurance and other insurance premiums; (xix) direct costs and expenses of administration, including printing, mailing, long distance telephone and staff; (xx) fees and expenses associated with independent audits, outside legal and consulting costs; (xxi) costs of winding up; (xxii) costs incurred by either the Administrator or the BDC in connection with administering its business, including payments under the Administration Agreement; (xxiii) extraordinary expenses (such as litigation or indemnification); and (xxiv) costs associated with reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws.

The Adviser receives no compensation for acting as sub-adviser to the Sierra Crest CLO (other than reimbursement of certain expenses) as described in the sub-advisory agreement.

BC Partners also engages and retains senior advisors, operating partners, advisers, consultants, and other similar professionals who are not employees or affiliates of BC Partners 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 BC Partners and such amounts will not be subject to the sharing arrangements described above and will not benefit the Fund or its investors. For a discussion of material conflicts of interest created by the engagement of such persons, please see “*Advisors and Consultants*” and “*Service Providers and Counterparties*” in Item 11 below.

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

With respect to the Sierra Crest BDC, the performance-based compensation (“**Performance Compensation**”), which conforms with the requirements set forth in Section 205 of the Investment Advisers Act of 1940 (as amended, the “**Advisers Act**”), allocated to the Adviser will consist of two parts: (1) a portion based on the Sierra Crest BDC’s Pre-Incentive Fee Net Investment Income (as defined below) (the “**Income-Based Fee**”) and (2) a portion based on the net capital gains received on the Sierra Crest BDC’s portfolio of securities on a cumulative basis for each calendar year, net of all realized capital losses and all unrealized capital depreciation on a cumulative basis, in each case calculated from the Effective Date, less the aggregate amount of any previously paid capital gains Incentive Fee (the “**Capital Gains Fee**”). The Income-Based Fee will equal 100% of the Pre-Incentive Fee Net Investment Income between 1.75%, referred to as the quarterly hurdle rate, and 2.121%, referred to the upper level breakpoint, plus 17.50% of Pre-Incentive Fee Net Investment Income in excess of 2.121%. On an annual basis, the incentive fee equals 17.50% of income in excess of a 7.00% hurdle rate. The Capital Gains Fee will be 17.50%, which will be determined and payable in arrears as of the end of each calendar year (or upon termination of the advisory agreement), commencing with the calendar year ending on December 31, 2019. For

purposes of the Sierra Crest BDC advisory agreement, “**Pre-Incentive Fee Net Investment Income**” means dividends (including reinvested dividends), interest and fee income accrued by the Sierra Crest BDC during the calendar quarter, minus operating expenses for the quarter (including the management fee, expenses payable under the administration agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay-in-kind interest and zero coupon securities), accrued income that the Sierra Crest BDC may not have received in cash. The Adviser will not be obligated to return to the Sierra Crest BDC the incentive fee it receives on payment-in-kind interest that is later determined to be uncollectible in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

The Adviser receives no performance-based compensation for acting as the sub-adviser to the Sierra Crest CLO.

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 BC Partners to disproportionately allocate time, services (including the services of BC Partners 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 Sierra Crest BDC. The Adviser does not have a minimum size for the Sierra Crest BDC nor a minimum investment for investors therein. The Sierra Crest BDC’s common stock is quoted on The NASDAQ Global Select Market under the symbol “PTMN” and are offered pursuant to an exemption from registration under the Securities Act.

The Adviser also provides investment advisory services to Sierra Crest CLO, a private investment fund structured as a “Collateralized Loan Obligation or “CLO.” The Adviser acts directly as a sub-adviser to the Sierra Crest CLO pursuant to a sub-advisory agreement with its collateral manager, KCAP Management, a subsidiary of the Sierra Crest BDC.

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

Methods of Analysis and Investment Strategies

BC Partners (and the Adviser with respect to the Sierra Crest BDC and CLO) will recommend an investment strategy in respect of the Credit Clients, to such Credit Client based on its deliberate approach to asset selection, portfolio construction, execution, due diligence and value creation.

Credit Client Approach

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

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 BC Partners’ private equity platform and the flow of information between the private equity and credit sides of BC Partners. 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 60 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 and senior 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 BC Partners' Senior 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 BC Partners 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 BC Partners 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 Credit Client may lose all or a substantial portion of its investments, and Credit Clients (and investors in the Credit 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 Credit Clients, include those discussed below. Many, but not all, of the risks and types of securities detailed below will apply to all Credit 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, BDCs or other Credit Client will be disclosed in the operating agreement or other disclosure documents relating to such SIF, Account, BDCs or other Credit Client.

Risks Applicable to Credit Funds

New Business Initiative; Limited Operating History. Although the investment professionals of the general partners and BC Partners have substantial credit-oriented investment experience generally (including, in certain instances, at their prior firm(s)), the Credit Funds, certain BC Partners entities 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 BC Partners and there can be no assurance that it will be successful. Members of the Investment Team have not previously worked together at BC Partners prior to the formation of the Credit Fund. Accordingly, a 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 BC Partners' 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, BC Partners 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 BC Partners 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 BC Partners 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 BC Partners. To the extent that the general partner or BC Partners 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 BC Partners 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 BC Partners' 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 BC Partners.

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 BC Partners 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 BC Partners 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., European Union 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, BC Partners 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 BC Partners 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, pre-payment 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 BC Partners 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 BC Partners, 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 BC Partners 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 BC Partners 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 BC Partners will have knowledge of all circumstances that may adversely affect an investment. In addition, the general partner of a Credit Fund and BC Partners 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 BC Partners 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 BC Partners 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 BC Partners 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 BC Partners 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 BC Partners 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.

Cyber Security. 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' investment to lose value.

Risks Applicable to the BDCs

Many, but not all, of the risks detailed above in this Item 8 will also apply to the BDCs and the Adviser. 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 BDCs. 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 BDCs for additional information and risk factors.

The Adviser and BC Partners have limited prior experience managing a business development company or a RIC. The Adviser and BC Partners have 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 BDCs' businesses or achieve the BDCs' investment objectives. As

a result, an investment in the BDCs' 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 and BC Partners' 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 BDCs 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 and BC Partners' 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 BDCs' investment objective.

The BDCs' Board of Directors may change the BDCs' 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 BDCs has the authority to modify or waive the BDCs' current operating policies, investment criteria and strategies without prior notice and without stockholder approval. The BDCs cannot predict the effect any changes to the BDCs' current operating policies, investment criteria and strategies would have on the BDCs' business, net asset value, operating results and value of the BDCs' stock. However, the effects might be adverse, which could negatively impact the BDCs' ability to pay a stockholder distributions and cause a stockholder to lose all or part of its investment. Moreover, the BDCs have 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 BDCs' 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 BDCs are 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 BDCs invest. Most of the BDCs' investments will not be publicly traded or actively traded on a secondary market. As a result, the BDCs value 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 BDCs' fair value determinations may cause its net asset value on a given date to materially differ from the value that the BDCs may ultimately realize upon the sale of one or more of its investments.

The amount of any distributions the BDCs may make is uncertain. The BDCs' distributions may exceed the BDCs' earnings. Therefore, portions of the distributions that the BDCs make 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 BDCs have for investment in targeted assets. The BDCs 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 or BC Partners, which are subject to recoupment. The BDCs' 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 BDCs 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 BDCs' earnings, the BDCs' financial condition, maintenance of the BDCs' RIC status, compliance with applicable business development company regulations and state law and such other factors as the Board of Directors may deem relevant from time to time. The BDCs cannot assure a stockholder that the BDCs will continue to pay distributions to its stockholders in the future. In the event that the BDCs encounter delays in locating suitable investment opportunities, the BDCs 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 BDCs' 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 BDCs ultimately invest in its portfolio companies.

As a public reporting company, the BDCs are 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 BDCs. The BDCs incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the 1934 Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**"). These requirements may place a strain on the BDCs' systems and resources. The 1934 Act requires that BDCs' file annual, quarterly and current reports with respect to their business and financial condition. The Sarbanes-Oxley Act requires that the BDCs' maintain effective disclosure controls and procedures and internal control over financial reporting, which requires significant resources and management oversight. These activities may divert management's attention from other business concerns, which could have a material adverse effect on the BDCs' business, financial condition, results of operations and cash flows. With respect to the BCP BDC, the systems and resources necessary to comply with public company reporting requirements will increase further once it ceases to be an "emerging growth company" under the JOBS Act. The BDCs have incurred, and expect to incur in the future, significant additional annual expenses related to these steps, director fees, reporting requirements of the SEC, increased auditing and legal fees and similar expenses associated with being a public reporting company.

Recent legislation permits the Company to incur additional leverage. Prior to the Small Business Credit Availability Act being signed into law, a business development company generally was not permitted to incur indebtedness unless immediately after such borrowing it had 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 BCP BDCs' initial stockholder and the Sierra Crest BDC's board of directors have each approved each BDC's ability to utilize the increased leverage limit, which requires asset coverage of at least 150%. As a result, the BDCs are permitted to incur additional indebtedness, and, therefore, the risk of an investment in the BDCs' common stock may increase.

The requirement that the BDCs invest a sufficient portion of the BDCs' 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 BDCs' assets in qualifying assets could result in the BDCs' failure to maintain its status as a business development company. As a business development company, the BDCs 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 BDCs' total assets are qualifying assets. Therefore, the BDCs may be precluded from investing in what the BDCs believe are attractive investments if such investments are not qualifying assets. Conversely, if the BDCs fail to invest a sufficient portion of the BDCs' assets in qualifying assets, the BDCs could lose their status as a business development company, which would have a material adverse effect on the BDCs' business, financial condition and results of operations. Similarly, these rules could prevent the BDCs from making additional investments in existing portfolio companies, which could result in the dilution of the BDCs' position, or could require it to dispose of investments at an inopportune time to comply with the 1940 Act. If the BDCs were 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 BDCs' status as a business development company would reduce the BDCs' operating flexibility. If the BDCs do not remain a business development company, the BDCs 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 BDCs' operating flexibility.

Regulations governing the BDCs' operation as a business development company and RIC will affect the BDCs' ability to raise, and the way in which the BDCs raise, additional capital or borrow for investment purposes, which may have a negative effect on the BDCs' growth. As a result of the annual distribution requirement to qualify as a RIC, the BDCs may need to periodically access the capital markets to raise cash to fund new investments. The BDCs 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 BDCs' asset coverage, as defined in the 1940 Act, equals at least 150% after such incurrence or issuance. The BDCs' ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit the BDCs' investment opportunities and reduce the BDCs' ability in comparison to other companies to profit from favorable spreads between the rates at which the BDCs can borrow and the rates at

which the BDCs can lend. As a business development company, therefore, the BDCs intend to continuously issue equity at a rate more frequent than the BDCs' privately owned competitors, which may lead to greater stockholder dilution.

The BDCs expect to borrow for investment purposes. If the value of the BDCs' assets declines, the BDCs 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 BDCs cannot satisfy the asset coverage test, the BDCs may be required to sell a portion of the BDCs' investments and, depending on the nature of the BDCs' debt financing, repay a portion of the BDCs' indebtedness at a time when such sales may be disadvantageous.

Under the 1940 Act, the BDCs generally are prohibited from issuing or selling the BDCs' common stock at a price per share, after deducting selling commissions and dealer manager fees, that is below the BDCs' net asset value per share, which may be a disadvantage as compared with other public companies. The BDCs may, however, sell the BDCs' common stock, or warrants, options or rights to acquire the BDCs' common stock, at a price below the current net asset value of the BDCs' common stock if the Board of Directors, including the independent directors, determine that such sale is in the BDCs' best interests and the best interests of its stockholders, and the BDCs' stockholders, as well as those stockholders that are not affiliated with it, approve such sale. In any such case, the price at which the BDCs' 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 BDCs' ability to enter into transactions with its affiliates is restricted. The BDCs are 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 BDCs' outstanding voting securities will be its affiliate for purposes of the 1940 Act and generally the BDCs 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 BDCs' 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 BDCs' voting securities, the BDCs 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 BDCs' ability to transact business with the BDCs' officers, directors, investment advisers, sub-advisers or their affiliates. As a result of these restrictions, the BDCs 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 BC Partners, 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 BDCs. On October 23, 2018, the SEC issued an order granting the application made by BC Partners' credit platform for exemptive relief to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by BC Partners Advisors L.P. or its affiliates, and any future funds that are advised by BC Partners Advisors L.P. or its affiliated investment advisers, including the Sierra Crest BDC.

Further, certain of the BDCs' affiliates may be regulated entities, and regulatory restrictions applicable to such affiliates may restrict certain of the BDCs' activities.

The BDCs are non-diversified investment companies within the meaning of the 1940 Act, and therefore the BDCs are not limited with respect to the proportion of the BDCs' assets that may be invested in securities of a single issuer. The BDCs are classified as non-diversified investment companies within the meaning of the 1940 Act, which means that the BDCs are not limited by the 1940 Act with respect to the proportion of the BDCs' assets that the BDCs may invest in securities of a single issuer. To the extent that the BDCs assume large positions in the securities of a small number of issuers, or within a particular industry, the BDCs' 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 BDCs 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 BDCs will be subject to the diversification requirements applicable to RICs under Subchapter M of the Code.

International investments create additional risks. The BDCs expect to make investments in portfolio companies that are domiciled outside of the United States. The BDCs anticipate that up to 30% of each BDC's investments may be in assets located in jurisdictions outside the United States. The BDCs' 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 each BDC's total assets at the time of the respective BDC's acquisition of any asset, after giving effect to the acquisition.

The BDCs will be subject to corporate-level income tax if the BDCs are 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 BDCs must, among other things, meet annual distribution, income source and asset diversification requirements. Because the BDCs' use debt financing, they are subject to an asset coverage ratio requirement under the 1940 Act, and they are subject to certain covenants contained in credit agreements and other debt financing agreements. This asset coverage ratio requirement and these covenants could, under certain circumstances, restrict the BDCs from making distributions to stockholders that are necessary for the BDCs to satisfy the distribution requirement. If the BDCs are unable to obtain cash from other sources, and thus are unable to make sufficient distributions to stockholders, the BDCs could fail to maintain their RIC status and thus become subject to corporate-level U.S. federal income tax (and any applicable U.S. state and local taxes). If the BDCs fail 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 BDCs' net assets, the amount of income available for distribution and the amount of the BDCs' distributions.

The BDCs may have difficulty paying its required distributions if the BDCs recognize income before or without receiving cash representing such income. For federal income tax purposes, the BDCs may be required to recognize taxable income in circumstances in which the BDCs do not receive a corresponding payment in cash. For example, if the BDCs hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK, secondary market purchases of debt securities at a discount to par, interest or, in certain

cases, increasing interest rates or debt instruments that were issued with warrants), the BDCs 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 us in the same taxable year. The BDCs may also have to include in income other amounts that the BDCs have not yet received in cash, such as unrealized appreciation for foreign currency forward contracts and deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. Furthermore, the BDCs may invest in non-U.S. corporations (or other non-U.S. entities treated as corporations for U.S. federal income tax purposes) that could be treated under the Code and U.S. Treasury regulations as “passive foreign investment companies” and/or “controlled foreign corporations.” The rules relating to investment in these types of non-U.S. entities are designed to ensure that U.S. taxpayers are either, in effect, taxed currently (or on an accelerated basis with respect to corporate-level events) or taxed at increased tax rates at distribution or disposition. In certain circumstances this could require the BDCs to recognize income where the BDCs do not receive a corresponding payment in cash.

Unrealized appreciation on derivatives, such as foreign currency forward contracts, may be included in taxable income while the receipt of cash may occur in a subsequent period when the related contract expires. Any unrealized depreciation on investments that the foreign currency forward contracts are designed to hedge are not currently deductible for tax purposes. This can result in increased taxable income whereby the BDCs may not have sufficient cash to pay distributions or the BDCs may opt to retain such taxable income and pay a 4% excise tax. In such cases the BDCs could still rely upon the “spillback provisions” to maintain RIC tax treatment.

The BDCs anticipate that a portion of their income may constitute original issue discount or other income required to be included in taxable income prior to receipt of cash. Further, the BDCs may elect to amortize market discounts with respect to debt securities acquired in the secondary market and include such amounts in their taxable income in the current year, instead of upon disposition, as an election not to do so would limit their ability to deduct interest expenses for tax purposes. Because any original issue discount or other amounts accrued will be included in their investment company taxable income for the year of the accrual, the BDCs may be required to make a distribution to their stockholders in order to satisfy the annual distribution requirement, even though the BDCs will not have received any corresponding cash amount. As a result, the BDCs may have difficulty meeting the annual distribution requirement necessary to qualify for and maintain RIC tax treatment under the Code. The BDCs may have to sell some of their investments at times and/or at prices the BDCs would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If the BDCs are not able to obtain cash from other sources, the BDCs may fail to qualify for or maintain RIC tax treatment and thus become subject to corporate-level income tax.

If the BDCs do 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 BDCs’ 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 1933 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 BCP BDC anticipates that they will not immediately qualify as a publicly offered RIC, although the BCP BDC may qualify as a publicly offered RIC for future years. If the BDCs are not a publicly offered

RIC for any period, a non-corporate shareholder's allocable portion of the BDCs' affected expenses, including the BDCs' 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.

The Sierra Crest BDC has committed to announce a stock repurchase program if certain conditions are met. The Sierra Crest BDC has announced a definitive agreement to merge with OHA Investment Corporation, subject to customary closing conditions including approval by OHA Investment Corporation stockholders. The Sierra Crest BDC has agreed that if shares of its Common Stock are trading at a price below 75% of its net asset value per share at any time during the twelve-month period from and after the time of its merger closing with OHA Investment Corporation, the Sierra Crest BDC Board will promptly announce its commitment to purchase, during the twelve-month period from and after such announcement, up to \$10,000,000 worth of shares of the Sierra Crest BDC's Common stock in open market transactions, at then current market price. Such purchases will be in accordance with Rule 10b-18 under the Exchange Act.

A stockholder's interest in the BDCs will be diluted if the BDCs issue additional shares of common stock, which could reduce the overall value of an investment in the BDCs. Potential investors will not have preemptive rights to purchase any common stock the BDCs issue in the future. To the extent that the BDCs issue additional shares of common stock at or below net asset value after an investor purchases shares of the BDCs' common stock, an investor's percentage ownership interest in the BDCs will be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of the BDCs' 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 CLOs

CLO Structure. A CLO is similar to a closed-end investment fund in that it is an investment vehicle that has a specific investment strategy, a designated investment manager and all investment/trading activity is governed by an indenture and reported upon by an independent trustee. The CLO structure, however, utilizes financial leverage to purchase assets (corporate loans and other credit instruments) and, by doing so, allocates risk of loss among various classes of investors. The individual investor classes (or tranches of debt) each have a unique claim on the assets of the CLO in terms of their priority of payment for both interest and principal proceeds of the collateral. The senior debt tranches have a priority claim on the cash flows generated by the assets of the CLO over the junior debt tranches. To the extent that losses are suffered on the collateral, or the cash flow generated by the assets is not sufficient to pay interest and principal on the debt tranches, the holder(s) of the most subordinated notes bear the initial risk of loss before any such losses are incurred by more senior debt tranches. Additional risks associated with CLO structure are referenced in the clients' respective CLO indentures.

The Adviser and BC Partners have limited prior experience managing a CLO. The Adviser and BC Partners have limited experience managing a Collateralized Loan Obligation private fund and may not be able to successfully operate the CLO's business or achieve the CLO's investment objectives. As a result, an investment in the CLO's shares of common stock may entail more risk than the shares of common stock of a comparable company with a substantial operating history.

Impact of Downturn in Global Credit Markets on CLO Investments. Among the sectors that have been particularly challenged by a downturn in the global credit markets are the CLO and leveraged finance markets. CLOs are subject to credit, liquidity, interest rate, and other risks. CLO private funds invest on a leveraged basis in loans or securities that are themselves highly leveraged investments in the underlying collateral, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to unleveraged investments. As a result of such leveraged positions, CLOs and their investors are at greater risk of suffering losses. The CLO markets have experienced increased defaults and downgrades. Many CLOs have failed in the past or may in the future fail one or more of their “overcollateralization” tests. The failure of one or more of these “overcollateralization” tests may result in reduced cash flows that may have otherwise been available for distribution. This would reduce the value of such CLO private fund’s investments. There can be no assurance that market conditions giving rise to these types of consequences will not once again occur, subsist or become more acute in the future.

The Adviser and Investors Will Have Limited Control of the Administration and Amendment of Portfolio Loans. The Adviser will exercise or enforce, or refrain from exercising or enforcing, any or all of its rights in connection with any loan held in the portfolio collateral (each, a “Portfolio Loan”) or any related documents or will refuse or accept amendments or waivers of the terms of any Portfolio Loan and related documents in accordance with its customary business practices as if the Adviser were administering the Portfolio Loans for its own account. The authority of the Adviser to change the terms of the Portfolio Loans will generally not be restricted by the fund’s governing documents. Further, holders of any notes, preferred shares or securities (collectively, the “Notes”) issued by the Sierra Crest CLO fund clients have no rights to compel the Adviser to take or refrain from taking any actions other than in accordance with its customary business practices.

The terms and conditions of the loan agreements and related assignments may be amended, modified or waived only by the agreement of the lenders. Generally, any such agreement must include a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligation arising from loan agreements could be modified, amended or waived in a manner contrary to the preferences of the Adviser, as the case may be, if a sufficient number of the other lenders were to concur with such modification, amendment or waiver. There can be no assurance that any obligations arising from a loan agreement will maintain the terms and conditions to which the Adviser originally agreed.

The exercise of remedies may also be subject to the vote of a specified percentage of the lenders thereunder. The Adviser will have the authority to consent to certain amendments, waivers or modifications to the Portfolio Loans requested by obligors or the lead agents for loan syndication agreements. The Adviser may, in accordance with its investment management standards and subject to the transaction documents, extend or defer the maturity, adjust the outstanding balance of any Portfolio Loan, reduce or forgive interest or fees, release material collateral or guarantees, or otherwise amend, modify or waive the terms of any related loan agreement, including the payment terms thereunder. The Adviser will make such determinations in accordance with its customary investment management standards, and in accordance with a fund’s governing documents. Any amendment, waiver or modification of a Portfolio Loan could postpone the

expected maturity of the Notes and/or reduce the likelihood of timely and complete payment of interest or principal under the Notes, as well as the timing and amount of payments to holders of the Notes.

Sale of Portfolio Collateral by the Adviser under Certain Circumstances. The Adviser may only direct the disposition of portfolio collateral under certain limited circumstances, as outlined by a fund's governing documents. More specifically, the Adviser may direct the disposition of portfolio collateral that is equity, has defaulted (as defined in the Notes' offering circulars) or based on certain other conditions. Furthermore, the Adviser's ability to dispose of portfolio collateral may be subject to greater restrictions if the rating of any series of Notes is downgraded. Notwithstanding such restrictions and satisfaction of the conditions set forth in the funds' governing documents and Notes' offering circular, sales and purchases by the Adviser of portfolio collateral could result in losses by the Adviser, which losses may result in the reduction or withdrawal of the rating of any or all of the Notes. On the other hand, circumstances may exist under which the Adviser may believe that it is in the best interests of the Adviser to dispose of portfolio collateral, but the Adviser will not be permitted to do so under the restrictions and conditions of the Indenture.

The market value of the portfolio collateral will generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular industry, the conditions of financial markets and the financial condition of the issuers of the portfolio collateral. As a result of these factors, a fund may be subject to losses upon the sale of portfolio collateral.

Risk Factors Relating to Regulatory and Other Legal Considerations

Recent Legal and Regulatory Developments

As a registered investment adviser, the Adviser is subject to new and existing regulations, regulatory risks, costs and expenses associated with operating as registered investment advisers that may limit their ability to operate, structure or expand their businesses in the future. If these laws, regulations or decisions (or the interpretation or enforcement thereof) change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, the Adviser, Sierra Crest BDC, and Sierra Crest CLO may have to incur significant expenses in order to comply or they might have to restrict their operations. Any such changes could also adversely affect the value of investments held by the Sierra Crest BDC and Sierra Crest CLO and the ability of the Sierra Crest BDC and Sierra Crest CLO to effectively employ their investment and trading strategies. Increased scrutiny and newly-proposed legislation applicable to the alternative asset management industry may also impose significant administrative burdens on the Adviser and may divert time and attention from portfolio management activities. In addition, if we do not comply with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business, results of operations or financial condition.

Government entities may exercise their discretion to change or increase regulation of a portfolio company's operations, or to implement laws, regulations or policies affecting the portfolio

company's operations, separate from any contractual rights they may have, in a manner that causes delays or adversely affects the operation of the business of such portfolio companies and/or the ability of the Sierra Crest BDC and Sierra Crest CLO to effectively achieve their investment objectives. A portfolio company (or project) also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company.

Moreover, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") has significantly increased the regulation of the financial services industry. The Dodd-Frank Act contains a broad set of provisions designed to govern the practices and oversight of financial institutions and other participants in the financial markets. One such provision, Section 619 of the Dodd-Frank Act, commonly referred to as the Volcker Rule, contains certain prohibitions and restrictions on the ability of a "banking entity" — which includes insured depository institutions, bank holding companies, foreign banking entities regulated by the Federal Reserve Board and their respective affiliates — and nonbank financial company supervised by the Federal Reserve to engage in proprietary trading and have certain interests in, or relationships with certain private funds ("covered funds"). Under the final regulations implementing the Volcker Rule, which were adopted in December 2013, many CLOs are covered funds if they invest, or are permitted to invest, in assets other than loans, certain cash equivalents and interest rate or currency hedges. As a result, many banking entities, including many U.S. and non-U.S. broker-dealers with affiliated banks, may be unable to invest in, or in some cases to make a market in, the securities of CLOs in which we have invested, which may reduce liquidity in these securities and have a material adverse effect on their valuation. Moreover, the Volcker Rule regulations may affect the market for CLOs such that the Adviser may be unable to establish, or to obtain warehouse funding for, new CLOs that would be covered funds. If the Adviser establishes CLOs that are structured not to be covered funds and thus do not permit investments in customary assets such as corporate bonds, asset-backed securities or synthetic investments, and we invest in such CLOs, the ability of the Adviser to manage such CLOs will be constrained by those limitations, which could materially adversely affect any investments we make in such CLOs.

Certain CLOs are subject to the credit risk retention requirements of the Dodd-Frank Act (the "U.S. Risk Retention Rules"). With respect to the regulation of CLOs, the U.S. Risk Retention Rules generally require that one of the CLO sponsors (which, in many cases, will likely also be the manager of a CLO) retain not less than 5% of the credit risk of the assets collateralizing the CLO. The U.S. Risk Retention Rules became effective on December 24, 2016.

On February 9, 2018, the U.S. Court of Appeals for the District of Columbia Circuit ruled that the U.S. Risk Retention Rules do not apply to managers of open-market CLOs - CLOs for which the underlying assets are not transferred by the manager to the CLO issuer via a sale. On April 5, 2018, the U.S. District Court for the District of Columbia issued an order implementing this decision and vacating the U.S. Risk Retention Rules with respect to collateral managers of open-market CLOs. The deadline for the regulators to appeal the Risk Retention decision to the U.S. Supreme Court expired on May 10, 2018. As a result, CLO managers of open-market CLOs are no longer required to comply with the U.S. Risk Retention Rules, and no party to such open-market CLOs is required to acquire and retain an economic interest in the credit risk of the securitized assets. However, the continuing impact of the U.S. Risk Retention Rules on the securitization market remains unclear.

and such rules (including any amendments thereto) could negatively impact the value of CLOs, securitization and underlying assets.

In April 2010, the SEC proposed revised rules for asset-backed securities offerings (“Regulation AB II”) that, if adopted, would substantially change the disclosure, reporting and offering process for public and private offerings of asset-backed securities, including CLOs. The proposed rules, if adopted, would have required significant additional disclosures and would have altered the safe-harbor standards for the private placement of asset-backed securities to impose informational requirements similar to those that would apply to registered public offerings of such securities. The application of such informational requirements to CLOs, which have not historically been publicly registered, was unclear. On August 27, 2014, the SEC adopted a set of Regulation AB II final rules that was limited to asset-backed securities that were publicly registered. These rules impose changes to the offering process for publicly registered asset-backed securities and require disclosure of loan-level data for a subset of classes addressed in the proposed rules, but do not at this time extend to privately offered CLOs. However, the SEC has indicated that many aspects of the rule proposals, including the expansion of loan-level or grouped data disclosure requirements to additional asset classes and the possible application of the rules to private offerings of securities, remain under active consideration. The timing of the adoption of any additional final rules, their application to privately offered securities in general and to CLOs in particular, the cost of compliance with such rules, and whether compliance would compromise proprietary methods or strategies of the Adviser, is currently unclear.

Other financial reform regulations, including regulations requiring clearing and margining of swap transactions, which may affect our ability to enter into hedging transactions; changes in the definition and regulation of commodity pool operators and commodity trading advisors, which could subject the Adviser to additional regulations; leveraged lending guidance that may affect the ways in which banking institutions originate the loans in which we and our affiliates invest; heightened regulatory capital and liquidity requirements for banks that may affect our ability to borrow on reasonable terms; and non-US regulations of financial market participants that may overlap, expand upon or be inconsistent with US regulations may all have material adverse effects on our business.

FDIC Rules Affecting Large Banks

On April 1, 2013, the Federal Deposit Insurance Corporation’s (“FDIC”) final rule on assessments for large banks (i.e., insured depository institutions that had (i) \$10 billion or more in total assets as of December 31, 2006 or (ii) assets of less than \$10 billion as of December 31, 2006, but has since had \$10 billion or more in total assets for at least four consecutive quarters, referred to below as “large banks”) became effective. The rule amends the definition of certain “higher-risk assets” to include securitization transactions where 50% or more of the underlying pool are themselves higher risks assets, such as certain types of commercial and industrial loans made to finance buyouts, acquisitions and capital distributions (“higher-risk C&I Loans”). Since FDIC rules for large banks require that such banks determine their deposit insurance premium by reference, not to deposits, but to the bank’s assets and certain financial ratios, the reclassification of these securitizations as “higher-risk assets” could lead to an increase in the deposit insurance premiums such large banks would otherwise pay, in some cases substantially. There can be no assurance that

the collateral obligations underlying the CLO securities that are higher-risk C&I Loans will not, in the aggregate, be above the 50 percent threshold described above. The rule applies to securitizations issued on or after April 1, 2013; securitization transactions that closed prior to April 1, 2013 are unaffected by the rule. It is possible that the rule may reduce liquidity for the CLO securities in the secondary market and may have other effects that are difficult to predict at this time.

ITEM 9. DISCIPLINARY INFORMATION

There are no items to report in response to this Item.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Related General Partners

BC Partners organizes certain of the Funds, which in certain cases are limited partnerships for which BC Partners (including its affiliates) serves as general partner or exempted companies for which employees or affiliates of BC Partners 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;
- BCP Real Estate Services Luxembourg SARL: regulated by the Commission de Surveillance du Secteur Financier of Luxembourg;
- BC Partners Advisors SARL; organized in France;
- 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
- BC Partners Advisors L.P.: organized in Delaware and regulated by the Securities Exchange Commission and a registered investment advisor under the Advisors 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 BC Partners and its affiliate advisers (including the Adviser), 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

BC Partners (and 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 Chief Compliance Officer (“**CCO**”) as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps BC Partners 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 or upon written request to: Sierra Crest Investment Management LLC, Attn: Chief Compliance Officer, 650 Madison Avenue, 23rd Floor, New York, New York 10022.

Participation or Interest in Client Transactions

BC Partners and certain employees and affiliates of BC Partners (including the Adviser) may invest in and alongside a PE Fund or Credit Client (together, the “**Clients**”), either through the general partners, as direct investors in the Funds or BDCs or otherwise. A Fund or BDC may reduce all or a portion of the Advisory Fee and Performance Compensation related to investments held by such persons. The Adviser acts directly as a sub-adviser to the Sierra Crest CLO pursuant to a sub-advisory agreement KCAP Management, a subsidiary of the Sierra Crest BDC. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

The Adviser’s Collateral Management Agreements and sub-investment management agreements with affiliated Collateral Managers authorize it to buy securities from, and to sell securities to, its clients. These agreements also authorize the Adviser to arrange for buying and selling of securities between clients, on the one hand, and a Firm affiliate, KCAP (which controls the Adviser) on the other. Transactions such as these present a conflict of interest because the Adviser and/or KCAP’s

interests may be directly contrary to client interests. However, the agreements authorizing these transactions require both that the transaction be at “arm’s length” and that the client approve the transaction.

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, BC Partners 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

BC Partners 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 BC Partners, other Clients or another BC Partners entity. Certain of these conflicts of interest, as well a description of how BC Partners addresses such conflicts of interest, can be found below.

Resolution of Conflicts

Certain Organizational Documents contain provisions that, subject to applicable law, reduce or eliminate the duties, including fiduciary and other duties, to a Fund and its investors to which the general partner of such Fund and any other BC Partners entity, as applicable, would otherwise be subject, provisions that waive or consent to conduct on the part of such general partner and other BC Partners 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 BC Partners 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 BC Partners 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 BC Partners 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 BC Partners' 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 BC Partners 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 BC Partners 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 BC Partners' 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 BC Partners 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 BC Partners' 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

BC Partners, 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, BC Partners 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. BC Partners 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, BC Partners 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, BC Partners 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, BC Partners 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, pro rata among one or more of the Adjacent Vehicles and such other BC Partners vehicles 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, 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 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. BC Partners (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 BC Partners or other applicable BC Partners 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 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 BC Partners, whether a potential co-investor has a history of participating in co-investment opportunities with BC Partners, 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 potential co-investor has demonstrated a long-term and/or continuing commitment to the potential success of BC Partners, a Fund, the Adjacent Vehicles or other co-investments and/or other BC Partners vehicles, or otherwise has a "strategic" relationship with BC Partners or the Credit Business or the Private Equity Business and such other factors that BC Partners deems relevant under the circumstances.

BC Partners 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, BC Partners may establish one or more investment vehicles managed or advised by BC Partners 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 BC Partners 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. BC Partners 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 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.

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. 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. 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). In that regard, 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 BC Partners 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. In connection with negotiating loans and debt financings in respect of Firm-sponsored transactions, from time to time BC Partners 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. BC Partners 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 BC Partners 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 BC Partners specifically relating 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 BC Partners from a Portfolio Investment in which any other BC Partners vehicles have an interest.

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

BC Partners 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 BC Partners entity would owe a fiduciary duty to such other funds, vehicles and accounts as well as to the applicable Fund (as described more fully 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, BC Partners 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 BC Partners 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. 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 BC Partners 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.

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 application made by Partners’ credit platform for exemptive relief to co-invest, subject to the satisfaction of certain conditions, in certain private placement transactions, with other funds managed by BC Partners Advisors L.P. or its affiliates, and any future funds that are advised by BC Partners Advisors L.P. or its affiliated investment advisers, which includes the Sierra Crest BDC. 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

In addition to Advisory Fees, other fees may be paid to BC Partners by or with respect to certain Portfolio Investments, 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 provided by BC Partners to an actual or prospective investment, other investment vehicles of the Funds or the Funds themselves (collectively, "**Other Fees**"). The payment of such Other Fees by or with respect to Portfolio Investments creates a conflict of interest between BC Partners 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. BC Partners 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, BC Partners 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.

"**Dead Deal Costs**" refer herein to the amount of any expenses relating to a proposed but not consummated transaction. 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 BC Partners' own side-by-side / sponsor co-investment rights will bear their pro rata share of the Dead Deal Costs. Although the general partner of a Fund and any applicable BC Partners 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 BC Partners 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 BC Partners, 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 BC Partners or other applicable BC Partners 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 BC Partners' expense allocation policy. Such allocation determinations are inherently subjective and give rise to conflicts of interest between BC Partners, 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.

Other Relationships with Funds and Companies

BC Partners 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 BC Partners 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 BC Partners, and in connection therewith, receive compensation. Such compensation is generally not payable to BC Partners and not subject to any offset in respect of the management fees payable by any Fund to BC Partners 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. BC Partners has determined that such other accounts or vehicles shall be treated for purposes of both BC Partners' guidelines on allocation of investment opportunities and allocation of the business time of such investment professionals, as clients of BC Partners and investment opportunities available for such accounts or vehicles as well as certain Funds of BC Partners shall be allocated in accordance with the methodology described under "*Conflicts--Allocation of Investment Opportunities*" above.

Advisors and Consultants

BC Partners may work with or alongside one or more consultants, advisors (including senior advisors) and/or operating partners who are retained by BC Partners 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. 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 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.

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, BC Partners and/or certain Portfolio Investments may also provide goods or services to or have business, personal, financial or other relationships with the Advisor, other BC Partners entities and Portfolio Investments. 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 BC Partners and/or

other BC Partners vehicles have an investment, and payments by a Fund and/or Portfolio Investments may indirectly benefit BC Partners and/or such other BC Partners vehicles. Additionally, certain employees of BC Partners may have family members or relatives employed by such advisers and service providers. BC Partners may also provide administrative services to a Fund for a fee. These relationships may influence the relevant BC Partners 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 BC Partners 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 BC Partners 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.

BC Partners 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 BC Partners or its affiliates differ from those required by the Funds and/or its portfolio companies, BC Partners and its affiliates will pay different rates and fees than those paid by the Funds and/or its portfolio companies. Notwithstanding the foregoing, BC Partners 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.

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 partners 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, BC Partners 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 BC Partners. The valuation of investments may also affect the ability of BC Partners 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 may invest in securities of companies which are actual or potential entities in which a Fund has made or will make investments and, officers, directors, partners, members, employees and affiliates of the general partner of the applicable Fund and the relevant BC Partners entity may trade in securities for their own accounts, subject to restrictions and reporting requirements as may be required by law and BC Partners policies, or otherwise determined from time to time by the general partner of the applicable Fund or the relevant BC Partners entity, which may adversely impact such Fund. 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.

Other Potential Conflicts

The Organizational Documents of a Fund establish complex arrangements among the Funds, BC Partners 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 BC Partners 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.

BC Partners 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 BC Partners entity, the parties may engage separate counsel in the sole discretion of the relevant BC Partners entity, and in litigation and other circumstances separate representation may be required. Additionally, BC Partners 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 BC Partners entity, the Funds, and/or the portfolio companies. This may result in BC Partners 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 BC Partners 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 BC Partners, 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 BC Partners will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies.

BC Partners 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 BC Partners entity and/or its personnel, and such rewards and/or amounts will exclusively benefit the relevant BC Partners 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.

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

BC Partners 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, BC Partners 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 BC Partners that cover one or more Funds and/or BC Partners (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). BC Partners 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 BC Partners 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 BC Partners, its affiliates, other portfolio companies of BC Partners’ clients, to receive favorable procurement terms, including fees, servicing payments, rebates, discounts or other financial benefits. BC Partners 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. BC Partners 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 BC Partners or other 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 BC Partners determines to be consistent with the requirements of such Funds' governing agreements, would not have otherwise been entered into but for the affiliation with BC Partners, and which involve fees and/or servicing payments to 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, BC Partners 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 BC Partners 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 BC Partners 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 BC Partners 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 BC Partners 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.

BC Partners 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. BC Partners 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 BC Partners' 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, BC Partners (and the Adviser with respect to the Sierra Crest BDC) 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, BC Partners 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, BC Partners 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, BC Partners 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.

BC Partners 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. BC Partners 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, BC Partners 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, BC Partners may also consider other business a particular broker or dealer may have done with BC Partners, such as identifying investment opportunities, performing investment banking services and providing services to BC Partners’ principals. When purchasing or selling over-the-counter securities with market makers, BC Partners 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, BC Partners 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 BC Partners will have an incentive to favor such broker-dealer over others that may charge lower commissions. However, BC Partners will select broker-dealers that it in good faith believes will provide best execution in respect of the Funds.

Aggregation of Trades

BC Partners 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. BC Partners 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, BC Partners 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 BC Partners’ 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. The Credit Investment Team is responsible for monitoring the portfolio on an ongoing basis and they will work with the Credit Investment Committee.

Reporting

With respect to the BDCs, each 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. Each 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 or BC Partners 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, BC Partners and their related persons, in certain instances, receive discounts on products and services provided by portfolio companies of Funds.

While not a client solicitation arrangement, BC Partners 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 BC Partners 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, the BDCs, and the CLO 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. With regard to the CLO, the Adviser has authority to provide investment advisory services pursuant to the sub-advisory agreement with KCAP Management, the collateral manager to the Sierra Crest CLO. 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

BC Partners has established written policies and procedures setting forth the principles and procedures by which BC Partners votes or gives consent with respect to securities owned by the Funds (“**Votes**”). The guiding principle by which BC Partners 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. BC Partners does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is BC Partners’ general policy to vote or give consent on all matters presented to security holders in any Vote. However, BC Partners 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 BC Partners’ Vote.

All Voting decisions initially are the responsibility of BC Partners’ investment professionals, unless there is a material conflict of interest, in which case they should raise it with the CCO. In most cases, BC Partners’ 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 BC Partners’ 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 or upon written request to: Sierra Crest Investment Management LLC, Attn: Chief Compliance Officer, 650 Madison Avenue, 23rd Floor, New York, New York 10022.

ITEM 18. FINANCIAL INFORMATION

Item 18 is not applicable to the Adviser.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Item 19 is not applicable to the Adviser.