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Disclosure Brochure
(Form ADV, Part 2A)

March 2020

This brochure provides information about the qualifications and business practices of Balbec Capital Management, LP. If you have any questions about the contents of this brochure, please contact us at (602) 802-8307 or compliance@balbec.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Balbec Capital Management, LP also is available on the SEC's website at www.advisorinfo.sec.gov

Item 2 Material Changes

This brochure dated March 2020 has been updated from the previous brochure dated March 2019 to reflect revised regulatory assets under management and other routine annual updates.

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Item 4 Advisory Business

Balbec Capital Management, LP is a Delaware limited partnership that, together with certain affiliated entities, conducts its business out of its principal office in Scottsdale, Arizona, as well as offices in New York, Atlanta, London, Nice, and Budapest. “Balbec” refers to the collective business of Balbec Capital Management, LP and Balbec’s affiliated entities which include the Funds’ general partners.

Balbec is owned and controlled by Balbec Capital Management, LLC, and its senior management team consists of Charles Rusbasan, Jeff Padden, Philip Daniels and Scott Gilbert. Warren J. Spector is the Chairman of the firm.

In 2011, operating as an affiliate of Starwood Capital Group Management, LLC (“Starwood”), Warren J. Spector and the management team began managing InSolve Global Credit Fund I, LP (“InSolve I”) and, later, InSolve Global Credit Fund II, LP (“InSolve II”). In 2016, Mr. Spector and the management team agreed to an amicable buyout of Starwood’s interest in the Balbec business and Balbec Capital Management, LP was established as an independent SEC-registered investment adviser. InSolve I completed its term and was dissolved effective December 31, 2019. Since 2016, Mr. Spector and the management team have also managed InSolve Global Credit Fund III, LP (“InSolve III”) and InSolve Global Credit Fund IV, LP (“InSolve IV”), together with InSolve II, including related feeder, co-investment, special purpose vehicles and other private investment funds, the “Funds”). Balbec manages the Funds, and any future funds sponsored by Balbec, consistent with this brochure and pursuant to investment advisory agreements with the Funds.

Balbec’s business is limited to providing advisory services to private funds that collectively invest in a globally diverse set of credit portfolios and other assets. Balbec leverages the experience of its management team and the analytics they have developed to evaluate credit risk in insolvent situations to pursue potential investment opportunities. Although Balbec has broad discretion in selecting investments, opportunistic investments are sought primarily in credit exposures which include:

- Pools of residential mortgage loans, credit cards, personal loans, retail credit contracts, automobile loans, power sport loans, commercial loans, trade claims, or other financial contract where the loan is impaired, non-performing, reperforming, denounced, or classified as a result of non-payment, bankruptcy, default or other contractual malady;
- Contractual cash flow obligations resulting from servicing, lending, or pledging of cash flows related to the investment assets described above;
- Loans secured by investments to the originators, operators, insolvency practitioners, trustees, law firms and investors owners thereof or loans that form part of a formal restructuring or insolvency proceeding (including Debtor-in-Possession financing). The securities, including bank loans, bonds, indentures, (including senior, mezzanine, junior

and subordinated) common and preferred equity of companies involved in purchasing, servicing, investing in or managing the investments or Claims or assets of the type described herein;

- Assets or Claims that are against, or that may be purchased from, a bankruptcy estate or trustee where Balbec believes there is an opportunity to hold such asset or Claim until liquidation including Claims or trade claims against corporate, small and medium enterprises, as well as other claims that may include litigation claims and large corporate resolutions, and assumption of litigation to foreclose on real estate assets outside of formal insolvency, and other non-performing loans;
- Refinancings or new originations of loans to debtors in bankruptcy or otherwise related to or backed by the investment assets described above; and
- Fee advances related to or secured by investments held by third parties.

Investments related to the above assets may be in the form of whole loan purchases, joint ventures or co-investments, purchases of securities (including senior or subordinated notes or loans, preferred equity, or other equity), trust certificates, financing and/or participation agreements, forward contracts, or loan originations and/or refinancings.

In providing services to the Funds, Balbec formulates the investment objective for each Fund, directs and manages the investment and reinvestment of each Fund's assets, and provides periodic reports to investors in each Fund. Subject to the terms of the applicable investment advisory agreement with the Fund, Balbec's advisory services include investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. Investment advice is provided directly to each Fund and not individually to the investors of the Funds. Balbec manages the assets of each Fund in accordance with the terms of the governing documents applicable to each Fund.

In certain circumstances, third parties may be offered the opportunity to co-invest alongside the Funds. In such circumstances, Balbec, from time to time, may establish co-investment funds or offer to limited partners on a transaction-by-transaction basis to allow certain parties to invest alongside one or more Funds in a particular investment opportunity (each such vehicle, a "Co-Investment Fund"). Co-Investment Funds are typically limited to investing in securities relating to the transaction or transactions with respect to which they were organized. The terms of such co-investments are determined in the general partner's discretion and the management fees and carried interest in respect of such co-investments may be on different terms to the co-investors than the comparable fees or carried interest charged by the Fund. Costs and expenses are allocated between a Co-Investment Fund and the applicable Fund in a manner that the general partner determines to be equitable including consideration of the expected benefit to be derived as to which such expense relates.

As of December 31, 2019, Balbec manages discretionary assets under management of \$1,951,126,580. Balbec does not manage any assets on a non-discretionary basis.

Item 5 Fees and Compensation

Balbec receives a management fee and carried interest for providing investment services to the Funds, and for certain funds also receives an asset management fee in addition to a management fee.

Generally, with respect to a Fund, management fees vary based upon the aggregate commitment of the limited partners and the value of assets owned by the Fund. Asset management fees vary based upon the value of assets owned by a Fund. The limited partnership agreement for each Fund discloses the management fees, asset management fees, and the carried interest to the investors prior to their commitment or investment. Management fees will generally be payable quarterly in advance, and asset management fees, where applicable, will generally be payable quarterly in arrears. Except as otherwise provided in a Fund's governing documents, the management fee and asset management fee will be funded by drawdowns of unfunded capital commitments of limited partners or amounts withheld from proceeds otherwise distributable to limited partners of each Fund.

Balbec will not generally take acquisition, disposition, financing or advisory fees, and any such fees received in respect of a Fund's investments will be fully applied to offset the management fee.

The investment advisory agreements with the Funds generally provide that they are terminable by the Funds, subject, in some cases, to an applicable notice period or the occurrence of certain conditions or events. Upon termination of a relevant advisory agreement, management fees that had been prepaid are returned on a prorated basis.

Except as otherwise stated in a Fund's governing documents, the Funds bear all legal and other organizational and offering expenses incurred in the formation of the Funds. Any such expenses in excess of a cap set forth in each Fund's governing documents will generally reduce the management fees otherwise borne by the limited partners.

The fees and expenses charged to each Fund are negotiated with the limited partners during each Fund's formation, are detailed in the limited partnership agreements, and differs from Fund to Fund. Fees and expenses which are either paid by or reimbursed to Balbec by the Funds will generally include: the organizational and offering expenses inclusive of legal, travel, accounting, filing, printing, capital raising, regulatory compliance, any administrative or other filings and other organizational expenses incurred in the formation of a Fund and its affiliated entities (including the general partner) and will be borne by the Fund up to a cap, plus the costs and expenses incurred for all side letter negotiations with limited partners. The general partner or an affiliate shall bear the cost (through an offset against the management fee or otherwise) of any organizational expenses in excess of such amount.

In addition to the management fee and asset management fee, a Fund will pay all costs and expenses attributable to structuring, organizing, sourcing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, operating, holding, valuing, monitoring,

hedging, restructuring, trading, taking public or private, selling, winding up, liquidating, or otherwise disposing of the Fund's actual and potential investments as well as all other costs and expenses related to its own operations, including legal, filing, auditing, travel (including transportation, accommodations, meals and ancillary expenses (including reasonable personal expenses and per diems)), administration (including third party administrators), depositary, consulting (including, without limitation, the costs of any third-party valuations or pricing services), financing, accounting and custodian fees and expenses; expenses associated with the Funds' financial statements, tax returns and Schedule K-1s and any other Fund-related reporting or filing obligation; compliance and regulatory related fees (including fees and expenses related to the preparation and filing of Form PF, Foreign Account Reporting Requirements, and any filings or reports contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation); expenses incurred in connection with transactions not consummated; expenses of the Advisory Committee and annual meetings of the Limited Partners and any other conference or meeting with any of the Limited Partner(s); insurance; brokerage, finder's, financing commitment fees, real estate title, appraisal costs, printing, communication, marketing and publicity, custodian, depositary, transfer registration and other similar fees and expenses; other expenses associated with the acquisition, holding, servicing and disposition of its investments (including interest on money borrowed by or on behalf of the Fund, registration expenses, the formation and licensing of investment subsidiaries (or the Fund's applicable share of the costs incurred by Balbec in organizing, licensing and seeking government authorization for non-US entities formed to acquire, service or hold investments, if any) and related hedging transactions, if any), including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Fund; interest and other expenses incurred in connection with leverage facilities or working capital lines; and any corresponding expenses with respect to any alternative vehicle.

From time to time, the general partner of a Fund may create certain "special-purpose vehicles," "alternative investment vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors ("AIVs/SPVs"). In the event a general partner creates an AIV/SPV, consistent with the governing documents of a Fund, expenses related to the organization, formation and other expenses incurred are allocated between a Fund and such vehicles in a manner that the general partner determines to be equitable including consideration of the expected benefit to be derived as to which such expense relates.

In certain circumstances, the Funds utilize a Balbec affiliate as a servicer that is responsible for the servicing of investment assets. Such servicer is paid fees believed to be fair and equitable in Balbec's sole judgment, subject to its determination that a third party would otherwise have been required to perform such services (i.e. the type of service to be provided is not ordinarily the type of activity/conduct engaged in by an investment advisor to a third party fund pursuant to an investment advisory contract). Such fees are paid by the Funds and are not offset against management fees paid to the general partners.

Balbec Capital Management, LP shares office facilities with Southbridge Law Group, P.C. ("Southbridge") an independent law firm that provides legal services to Balbec. Certain Balbec

employees are also principals of Southbridge. Legal fees of Southbridge are charged to certain Funds for services performed for such Funds in accordance with the Fund's disclosure and operating documents. These documents are delivered to investors prior to their investment in the Funds.

Detailed information regarding fees and expenses charged to a Fund is provided in each Fund's governing documents. Investors should review all fees charged by Balbec, its affiliates, and others to fully understand the total amount of fees to be paid by the relevant Fund and, indirectly, its limited partners, and expenses that will be borne by a Fund.

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

As noted in Item 5 above, Balbec receives carried interest entitling it to a portion of the profits of a particular Fund. These profit incentives are considered performance fees for purposes of SEC rules. Carried interest payments have been structured to comply with Rule 205-3 under the Advisers Act.

Each Fund may have different carried interest structures. Differences in performance fee structures could create potential conflicts of interest in that Balbec could have greater incentive to favor Funds having the most profitable performance fee structure. These potential conflicts, however, are practicably mitigated by various limitations common to private fund structures and through Balbec's investment allocation policy. For example, allocations of investment opportunities are subject to organizational limitations implemented upon the creation of successor investment funds. That is, before Balbec may permissibly raise a new, substantially similar, investment fund, predecessor funds must be substantially committed. Additionally, Balbec Funds may have investment objectives that limit the types of investment opportunities to certain investment sectors designated for any particular Fund.

Carried interest can create an incentive for Balbec to make more speculative investments and make different decisions regarding the timing and manner of the realization of investments than would be made if carried interest were not allocated to the respective general partners and limited partners. Balbec seeks to address these conflicts through careful vetting of investment opportunities by its investment professionals and discussion of investments in quarterly reports.

The possibility exists that multiple Funds that do not, by their terms, invest together can have capital available for investment at the same time, which may create a conflict of interest with respect to the allocation of investment opportunities. This conflict is also mitigated by the fact that Balbec only selects investments primarily for one fund at any given time until the aggregate commitments of that fund have been substantially invested. As a fund nears the end of its investment period, Balbec may raise a new substantially similar fund, and, in the circumstances where the new and predecessor funds have sufficient capital available for investments, Balbec will allocate investments between the predecessor fund and the new fund equitably and in good faith.

Item 7 Types of Clients

As noted in Item 4 above, Balbec's clients are the Funds that it advises pursuant to investment advisory agreements entered into between the Funds and Balbec. Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Investors in the Funds include various institutional investors and high net-worth individuals. The institutions that typically invest in the Balbec Funds include corporations, endowment funds, charitable organizations, and other investment funds.

The minimum capital commitment for a limited partner of a Fund is outlined in each Fund's governing documents; however, Balbec maintains discretion to accept less than the minimum investment threshold. In addition, the Funds enter into separate agreements, commonly referred to as "side letters," with certain investors that amend, modify or supplement the terms of the governing documents of the respective Fund. Under certain circumstances, these agreements could give certain investors additional rights relative to other investors. Except as otherwise agreed with an investor, Balbec (or the applicable general partner) does not expect to be required to disclose the terms of side letter arrangements to other investors in the same Fund.

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

Investment Analysis and Strategy

The Funds investment recommendations include, among other assets, investments in pools of credit card and other unsecured and secured consumer loans where the debtor and its assets are subject to or expected to be in a formal bankruptcy, insolvency or other contractually rescheduled repayment plan, as further described in Item 4 – Advisory Business herein.

Balbec relies on a team of seasoned investment professionals with expertise and strong relationships in the consumer debt investment business. With respect to investment in consumer insolvency assets, Balbec will conduct rigorous analysis of local consumer bankruptcy and debt collection laws prior to making an investment recommendation in a particular jurisdiction.

Balbec uses certain fund and asset-level currency hedging mechanisms when it deems advisable in its sole discretion. Commitments to the Funds are in US dollars and thus a strengthening of the US dollar relative to the currencies in which the fund's assets are realized could have an adverse effect on the Funds' returns, whereas a weakening of the US dollar versus other currencies may make assets more expensive to acquire. Balbec believes that diversification of investments in various currencies should, over time, provide some mitigation of currency risk, though no assurance can be given that any mitigation will be achieved as the funds' primary objectives will be to invest opportunistically and not in a manner that mitigates currency exchange risk.

Risks

Risks associated with each Fund are described in the Funds' offering documents. Those documents also describe potential risks for each Fund in greater and more particularized detail than the summary below:

- The firm's investment strategies and expertise rely on key professionals. The departure of any of these key professionals from Balbec could adversely impact the performance of an investment fund.
- Failure of investors to fund commitments when due can adversely affect an investment fund's ability to complete its investment program and, if substantial defaults on commitments occur, to continue operations.
- Investing can include the use of leverage which, among other things, can increase the risk of loss during unfavorable economic conditions and the cost of leverage can affect the returns of the investments.
- Assets held by the Funds, and the interests in the Funds themselves, can be illiquid, thus making them hard to value and liquidate, particularly in a falling market. Additionally, interests in the Funds are subject to restrictions on transfer pursuant to the Securities Act of 1933.
- Valuation of assets risk. There is no active trading market for most of the investments owned by the Funds. When estimating fair value, Balbec applies a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstances of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued. However, the process for valuing investments for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. With respect to the Funds, the exercise of discretion in valuation by Balbec will give rise to conflicts of interest, as the performance of certain Funds is calculated based, in part, on these valuations and such valuations affect performance calculations.
- Underwriting risks. Data provided by sellers frequently does not reflect complete information regarding the investment, thus making underwriting more challenging and adding a layer of uncertainty to the underwriting process. While contractual provisions are often negotiated to protect a Fund against some of these uncertainties, a Fund's request for such provisions may render its bid less competitive than other bids that do not require such provisions, or the seller may offer less attractive pricing because of such provisions.
- Prepayment risk. To the extent assets may be backed by mortgage instruments, prepayment can adversely affect the value of the underlying real estate portfolio.
- Some mortgage-related instruments may include distressed opportunities, which can increase the potential for risk of loss.
- Investment strategies and analysis may not accurately project targeted returns because the considerations and assumptions underlying any projected returns are subject to uncertainty.

- Changes in insolvency laws. Consumer insolvency assets can be substantially affected by any changes in the insolvency laws in a jurisdiction in which such assets are acquired. With respect to prospective changes in insolvency laws, consumer insolvency assets may be protected by the contractual terms governing the transaction. However, if the laws are changed retroactively, or such protections are not negotiated, this could have an adverse effect on the yields of such assets being acquired.
- Debtor performance in repayment plans. As a debtor must generally have a recurring source of income when entering into a repayment plan, an important economic factor affecting subsequent performance is the debtor's remaining employed or continuing to earn income. Therefore, an increase in unemployment among the debtors in repayment plans relating to consumer insolvency assets would likely have an adverse effect on the performance by such debtors and thus on the returns of the related assets.
- Concentration risk. Consumer insolvency asset investing may lack a diversified pool of assets compared to other types of investment funds that trade in publicly traded securities.
- Risk of loss associated with mortgage loans and mortgage-backed securities. These instruments are subject to default, foreclosure timeline extension, fraud and commercial and residential price depreciation, unfavorable modification of loan principal amount and interest rate and amortization of principal. Any of the foregoing events can result in investment losses.
- Currency exchange risk. Typically, distributions from, and contributions to, an investment fund are denominated in U.S. dollars. Investments, however, may be denominated in currencies other than the U.S. dollar. Therefore, the value of these non-U.S. dollar denominated investments will depend in part on the strength of the U.S. dollar, and the value of dividends, interest and gains and losses can be adversely affected by fluctuating currency exchange rates.
- Counterparty credit quality. Investment funds can have assets tied to long-term contracts the performance of which will be dependent on the credit quality of the counterparties. Defaults by such counterparties could adversely affect the value of these assets.
- Cybersecurity. Balbec and its service providers and other market participants increasingly depend on complex information technology and communication systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect investors, despite the efforts of Balbec and its 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 confidentiality, integrity and availability of information belonging to the investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of Balbec and its service providers, counterparties or data within the systems. Third parties may also attempt to fraudulently induce employees, third-party service providers or other users of Balbec systems to disclose sensitive information in order to gain access to Balbec's data or that of the investors. Successful penetration or circumvention of the security of Balbec 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 Balbec and its service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

- **Hedging Transactions.** In connection with the financing of certain investments, some Funds employ hedging techniques designed to reduce the risks of such investments, including, without limitation, adverse movements in interest rates, securities prices and currency exchange rates. However, Balbec is not required to employ such hedging techniques in connection with Fund investments, and is unable to anticipate all risks against which such hedges could be employed. Hedging transactions have inherent risks, including the possible default by the counterparty to the transaction and the illiquidity of the hedging instrument acquired by a Fund. Although hedging transactions aim to reduce a Fund's exposure to, among other things, currency fluctuations or decreases in the value of investments, the costs and risks associated with these arrangements will occasionally reduce the returns a Fund would have otherwise achieved if the transactions were not entered into. Also, although hedging transactions generally hedge economic risks, they are not always effective hedges for tax purposes.
- **Uncertain Economic, Social and Political Environment.** Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, financing options, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its investments to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's investments.
- **Outbreaks of Infectious or Contagious Diseases.** As of March 2020, there is an outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a "Public Health Emergency of International Concern." The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. As

COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the Funds and their investments and could adversely affect the Funds' ability to fulfill their investment objectives.

The extent of the impact of any public health emergency on the Funds' and their investments' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the Funds' investments, the Funds' ability to source, manage and divest investments and the Funds' ability to achieve their investment objectives, all of which could result in significant losses to the Funds. In addition, the operations of the Funds, their investments, the general partners and the investment manager may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including their potential adverse impact on the health of any such entity's personnel.

Investments in the Funds are designed for sophisticated investors who fully understand, and are capable of bearing, the risk of an investment in the Funds. No guarantee or representation is made that the Funds will achieve their investment objectives or that limited partners will receive a return of their capital. Prospective investors in a Fund should consult with their advisors.

All investing involves risk of loss and the investment strategy offered by Balbec could lose money over short or even long periods.

Item 9 Disciplinary Information

Neither Balbec nor any of its professionals has been involved in any legal or disciplinary events that would require disclosure in response to this Item.

Item 10 Other Financial Industry Activities and Affiliations

Balbec is affiliated with the respective general partners of certain of the Funds through common ownership. Balbec Asset Management, SAS ("BAM"), is an affiliated investment advisor based in Nice, France and under common control with Balbec Capital Management, LP. These affiliations do not create a material conflict of interest with the Funds.

In addition, as described above under “Item 5 – Fees and Compensation” Balbec utilizes the services of Southbridge. Balbec will also engage other affiliates as servicers for the Funds, responsible for the servicing of investment assets. Balbec believes the engagement of Southbridge and affiliated servicers provides a substantial benefit to the Funds and the underlying investments, given the expertise and ongoing involvement of the professionals at these affiliated entities. Balbec has taken steps to mitigate any potential conflicts of interest that may arise from these relationships.

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

Balbec’s policies and procedures, including its code of ethics, personal trading policies and procedures and insider trading policies, have been reasonably designed to address potential conflicts of interests that may arise in connection with Balbec’s business. Among other things, the Code of Ethics requires that employees act with integrity, place the interests of Clients above their own, avoid actual and potential conflicts of interest and comply with applicable provisions of the federal securities laws. The Code of Ethics is available to clients upon request by contacting Balbec at (602) 802-8307 or compliance@balbec.com.

Eligible Balbec personnel hold, either directly or through the Funds’ general partners, special limited partners, or other participation interests, financial interests in certain of the Funds. While investments by related persons and investment professionals of Balbec are intended to align the interests of Balbec and its related persons with those of the Funds, such investments can create conflicts (for example, in a diverse group of investors, including the investment professionals, with conflicting tax or other interests, decisions can be made that are more beneficial to one type of investor). To address such conflicts, the investment arrangements are described and agreed upon in the constituent documents of each Fund. Generally, investments and dispositions are made on the same economic terms for all limited partners of the Funds, including for Balbec related persons, and each investment is made pro rata among the limited partners of each Fund.

Except as otherwise agreed, the general partner and limited partners that are principals, owners, employees and other management and investment professionals of the general partner, the sponsor or their respective affiliates will not be subject to carried interest or the management fee (and/or they and other persons may be subject to reductions in respect of such amounts).

In the case of conflicts of interest, Balbec’s determination as to the factors that are relevant to the resolution of such conflicts will be made using Balbec’s best judgment. When conflicts arise, there are factors that will generally mitigate, but will not eliminate, conflicts of interest. A Fund will not make an investment unless Balbec believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund. Many important conflicts of interest will generally be addressed by set procedures, restrictions or other provisions contained in the governing documents for the Funds. Generally, each Fund has established an advisory committee, consisting of representatives of investors not affiliated with Balbec. The advisory committees meet as required to consult with Balbec regarding certain potential conflicts of interest, as well as other matters. On any issue involving actual conflicts of interest, Balbec will be guided by its good-faith

discretion. Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

As noted in Item 6 above, the possibility exists that multiple Funds may have capital available for investment at the same time, which may create a conflict of interest with respect to the allocation of investment opportunities. As a general matter, Balbec will only be investing primarily for one Fund at any given time until the aggregate commitments of that Fund have been substantially invested. Should new and predecessor Funds have sufficient capital available for investments at the same time, Balbec will allocate investments between the predecessor Fund and the new Fund equitably and in good faith.

To the extent that a general partner determines in its sole but good-faith discretion (because of certain considerations as set forth in the applicable partnership agreement) that any proposed investment by a Fund is unsuitable for that Fund in whole or in part acting alone, then the Fund will invest only in that portion of the investment which the general partner determines is appropriate for the Fund. Considerations regarding the suitability of a proposed investment include, but are not limited to, the amount of capital required, the potential applicability of one or more prohibitions or limitations under the applicable limited partnership agreement, and the general partner's determination that such investment would create a greater than intended exposure to a given currency, geography, asset or asset class or otherwise. The general partner provides one or more co-investment opportunities to one or more limited partners or other persons. The terms of such co-investments are determined in the general partner's discretion and the management fees and carried interest in respect of such co-investments can be assessed on different terms to the co-investors than the comparable fees or carried interest charged by the Fund. Balbec has adopted written policies and procedures relating to the allocation of investment opportunities and makes allocation determinations consistent with those policies and procedures.

Balbec expects to manage a number of Funds that have similar investment objectives. Balbec expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds in any such investment fund could give rise to conflicts of interest as noted above. In addition, it is expected that employees of Balbec responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by Balbec, including funds raised in the future.

In addition, Section 206 under the Investment Advisers Act of 1940, as amended (the "Advisers Act") regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), and the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with Balbec's management of the Funds, Balbec and its affiliates may engage in principal transactions. Balbec has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s)

regarding any proposed principal transactions and that any required prior consent to the transaction be received.

In selecting and structuring investments appropriate for a Fund, Balbec and its affiliates consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

Generally, each Fund will establish an advisory committee, consisting of representatives of investors. A conflict of interest can exist when some, but not all, limited partners are permitted to designate a member to the advisory committee. The advisory committees also have the ability to approve the resolution of conflicts of interest between Balbec and the applicable Fund, which could be disadvantageous to investors, including those investors who do not designate a member to the advisory committee.

Additionally, the governing documents of the Funds have “clawback” provisions that require the general partners to restore amounts to a Fund for distribution to the limited partners to the extent that the general partner has received cumulative carried interest distributions in excess of amounts otherwise distributable to it, but in no event more than the cumulative distributions received by the general partner with respect to its 20% carried interest less an amount representing income taxes thereon with respect to the general partner.

Item 12 Brokerage Practices

Selection of Broker-Dealers

Balbec focuses on making investments in private securities, thus it does not ordinarily engage any financial intermediary, such as a broker-dealer, in connection with the execution of transactions in public securities, and commissions are not ordinarily payable in connection with such investments in securities. To the extent Balbec should need a broker to make investments in securities; it intends to select brokers based upon the broker’s ability to provide best execution for the Funds. Balbec is generally authorized to make the following determinations, subject to the Funds investment objectives and restrictions, without obtaining prior consent from the relevant Fund or any of its investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker dealer for any transaction; and (4) the commission rates or commission equivalents charged for the transactions.

Soft Dollars

Balbec does not utilize soft dollar arrangements. While Balbec may receive routinely available research, Balbec does not direct trading activity in lieu of payments for research or other services.

Cross Trades

A cross trade consists of a pre-arranged transaction between two or more different funds or accounts, each of which are managed by the same advisor. To date, Balbec has not engaged in cross trades. Balbec may utilize cross trades in the future when it specifically deems the practice to be advantageous for each participant. Prior to effecting a cross trade, Balbec will seek the approval of the Limited Partnership Advisory Committees of the relevant clients.

Item 13 Review of Accounts

Balbec actively monitors and manages the assets and the performance of the Funds that it advises, as well as potential exit strategies and other means of adding value to the investors with respect to fund assets. Asset managers monitor assets on an ongoing basis and report to the firm's senior management.

Investors in the Funds will typically receive, among other information, a copy of the audited financial statements of the relevant Fund within one hundred twenty (120) days after the fiscal year end of such Fund. Additionally, on a quarterly basis, Balbec issues an interim written report to investors describing revenues and expenses for the quarter, and market developments that might impact the value of the Fund's underlying investments.

Item 14 Client Referrals and Other Compensation

From time to time, Balbec may enter into contractual arrangements with third-parties (the "Agents") to solicit investors for the Funds. The amount of compensation Balbec pays the Agent is based on the value of assets managed by Balbec for the investors introduced by the Agent. Balbec may enter into arrangement with other Agents in the future without notice to or consent of its clients.

Item 15 Custody

The Funds maintain cash at "qualified custodians" (e.g. banks) and rely on an exception available to "pooled investment vehicles" from various reporting and surprise audit obligations imposed by the SEC's custody rule. This exception requires the firm to engage a qualified independent public accounting firm and to distribute audited annual financial statements, prepared in accordance with GAAP or other substantially similar accounting standards, to investors within a prescribed period. Limited partners do not receive statements from the custodians.

Item 16 Investment Discretion

Balbec accepts discretionary authority to manage the assets of the Funds that are its clients. The firm's discretion is limited by the investment guidelines and conditions contained either in its investment advisory agreement with each fund and/or in the limited partnership agreements of the

fund. All investors receive disclosure of investment guidelines and client operations prior to their commitment to a fund.

Item 17 Voting Client Securities

The Funds are primarily invested in private securities which typically do not issue proxies. To the extent that Balbec is in a position to exercise voting authority, it will do so in the best interests of the Funds and the overriding principle of the voting will be to maximize the financial interests of the Funds.

Item 18 Financial Information

Balbec is not aware of any financial condition that is reasonably likely to impair Balbec's ability to meet contractual commitments to clients. Neither Balbec nor its affiliates assess any fees more than six months in advance.