

Item 1: Cover Page



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PART 2A OF FORM ADV (THE “BROCHURE”)

March 30, 2021

This brochure provides information about the qualifications and business practices of Balance Point Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 203-652-8252 or edale@balancepointcapital.com. 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.

Balance Point Capital Advisors, LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information about Balance Point Capital Advisors, LLC is available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2: Material Changes

Item 2 of the Brochure provides clients with a summary of material changes that have been made to the Brochure since the last update was filed.

- Item 4, Advisory Business, has been updated to include information about Balance Point Capital Partners IV, L.P. and Balance Point Capital Partners V, L.P. and to amend discretionary assets under management.
- Edits have been made throughout the Brochure in an effort to clarify defined terms and to update certain references.

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Item 4: Advisory Business

Introduction

Balance Point Capital Advisors, LLC is an SEC-registered investment adviser with offices in Westport, CT. Balance Point Capital Advisors, LLC operates as a single advisory business together with its affiliated general partners, Balance Point Capital Managers, LLC, the general partner of Balance Point Capital Partners, L.P.; Balance Point Capital Managers II, LLC, the general partner of Balance Point Capital Partners II, L.P.; Balance Point Capital Managers III, LLC, the general partner of Balance Point Capital Partners III, L.P.; Balance Point Capital Managers IV, LLC, the general partner of Balance Point Capital Partners IV, L.P.; and Balance Point Capital Managers V, LLC, the general partner of Balance Point Capital Partners V, L.P., as well as its relying advisor, Balance Point Capital CT Advisors, LLC which advises Connecticut Growth Capital, LLC, the Managing Member of which is Balance Point Capital CT Managers, LLC. For purposes of this Brochure, and where the context permits, Balance Point Capital Advisors, LLC, Balance Point Capital Managers, LLC, Balance Point Capital Managers II, LLC, Balance Point Capital Managers III, LLC, Balance Point Capital Managers IV, LLC, Balance Point Capital Managers V, LLC, Balance Point Capital CT Managers, LLC and Balance Point Capital CT Advisors, LLC shall be collectively referred to as “Balance Point” or the “Firm.”

Balance Point and its predecessor invest debt and equity capital in select lower middle market companies. Balance Point takes a long-term, partnership approach to investing and is committed to building lasting relationships with private equity sponsors, management teams and intermediaries. The Firm generally targets companies with EBITDA between \$3 million and \$30 million and typically invests \$5 million to \$40 million per transaction. The Firm has nine investment professionals, including four principals with over 85 years combined investing experience, Seth Alvord, Justin Kaplan, Lance Sauerteig, and Eric Dale. Seth Alvord is the principal owner of Balance Point Capital Advisors, LLC.

Advisory Services

Balance Point currently provides discretionary investment management services to three Small Business Investment Company (“SBIC”) funds, Balance Point Capital Partners, L.P., closed in 2011, Balance Point Capital Partners II, L.P., closed in 2015, and Balance Point Capital Partners IV, L.P., closed in 2020 (collectively, the “SBIC Funds”) as well as Balance Point Capital Partners III, L.P. (“BPCP III”) and Balance Point Capital Partners V, L.P. (“BPCP V”) whose interests are offered only on a private-placement basis. Additionally, Balance Point provides discretionary investment advisory services to Connecticut Growth Capital, LLC (“CGC”). The Managing Member of CGC is Balance Point Capital CT Managers, LLC and the investment advisor to CGC is Balance Point Capital CT Advisors, LLC. For purposes of this brochure, the SBIC Funds, BPCP III, BPCP V and CGC shall be collectively referred to as the “Funds.”

Balance Point provides its advisory services to the Funds in accordance with the investment objectives, investment guidelines and restrictions set forth in the relevant Fund's organizational and offering documents and as further described below under Item 8. The general investment guidelines and restrictions applicable to any particular Fund are negotiated and fixed at the time that the particular Fund is formed, although there may be subsequent revisions with the consent of a Fund's investors. Seth Alvord, Justin Kaplan, and Lance Sauerteig comprise the investment committee for the SBIC Funds as well as for BPCP III and CGC. For Fund V, the investment committee is comprised of Seth Alvord, Justin Kaplan and Eric Dale. The investment committee of all the Funds requires unanimous approval for each investment.

As of December 31, 2020, Balance Point managed approximately \$1,349,707,977 of all client assets on a discretionary basis.

Item 5: Fees and Compensation

The Funds

All Funds pay Balance Point a management fee, which is paid on a quarterly basis in advance. For the initial investment period, this management fee is equal to 2.0% per annum of total capital for the SBIC Funds, including leverage from the Small Business Administration ("SBA"). Following the initial investment period, the management fee is equal to 2.0% per annum of currently invested capital. For CGC, management fees are 1.5% per annum of total committed capital during the initial investment period and 1.5% per annum of currently invested capital thereafter. For BPCP III and V, management fees are 1.75% per annum of each Limited Partner's Subscription commencing on the Initial Investment Date, as defined in the BPCP III and V Limited Partnership Agreement, through the earliest to occur of (1) the date on which the Investment Period, as defined, expires or terminates and (2) the date of dissolution of the Partnership (the earliest such date, the "Fee Reduction Date"), and following the Fee Reduction Date through the end of the Partnership, in an amount equal to, with respect to each Limited Partner, 1.75% of such Limited Partner's Actively Invested Capital, as defined. At the discretion of the BPCP III and V General Partner and Management Company, certain Limited Partners have special management fee arrangements.

Balance Point or an affiliate is also entitled to receive a carried interest distribution from each SBIC Fund equal to 20.0% of all realized profits subject to an 8.0% per annum compounded preferred return on invested private capital. For CGC, Balance Point is entitled to receive a carried interest distribution equal to 15.0% of all realized profits, subject to a 6.0% compounded preferred return on invested capital. For BPCP III and V, Balance Point is entitled to receive a carried interest distribution equal to 17.5% of all realized profits, subject to a 8.0% per annum compounded preferred return on invested private capital. The precise manner and calculation of the carried interest for each Fund and managed account is disclosed in the organizational and offering documents of each Fund

and managed account. In addition, please see Item 6 below for information regarding carried interest.

Other Fees and Expenses

As more fully described in the Funds' offering and organizational documents, a Fund will generally pay: (i) legal, accounting and third-party consulting fees for services rendered to or incidental to a Fund, its management and activities; (ii) taxes payable by a Fund; (iii) costs and expenses associated with meetings by and between the limited partners, general partner, and/or committees of a Fund; (iv) reporting and other communications with limited partners; (v) insurance and indemnification costs and expenses; (vi) organization expenses; (vii) interest and other expenses relating to any Fund indebtedness; (viii) dues payable to trade associations; (ix) bonding expenses; and (x) all extraordinary fees, costs and expenses. In addition, the SBIC Funds will generally pay: (i) examination fees payable to SBA; (ii) SBA commitment, reservation, custodian and other fees; and (iii) fees and expenses incurred in connection with reserving, using or repaying SBA Leverage.

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

The general partner to each Fund is generally entitled to receive a carried interest (also known as a "performance-based fee") that would otherwise be available for distribution to such Fund's limited partners. The carried interest received by the general partners conforms with the requirements set forth in Section 205 of the Advisers Act. The precise amount of, and the manner and calculation of, the carried interest for each Fund and managed account is disclosed in its organizational and offering documents, as previously stated.

The payment by Funds of carried interest at differing rates may create an incentive for Balance Point to disproportionately allocate time, services or functions to the Funds paying carried interest at a higher rate. To mitigate this risk, the Firm has adopted policies and procedures that address potential conflicts of interest that may arise between the Firm's management of different Funds, such as conflicts relating to the allocation of investment opportunities. Specifically, the Firm's policy is to offer all investment opportunities to the SBIC Funds, BPCP III, BPCP V and CGC on a pro rata *pari passu* basis, so that portfolio holdings, position sizes and industry and sector exposures tend to be similar across the Funds, subject to variations due to Fund guidelines.

Item 7: Types of Clients

Balance Point provides investment advice to the Funds. Balance Point may, in the future, provide investment advice to other funds (i.e., investment partnerships or other investment entities formed

under domestic or foreign laws and operated as private funds excepted from the definition of investment company under the Investment Company Act of 1940, as amended) or to individual advisory clients (or separately managed accounts). Balance Point's current and prospective investors and prospective advisory clients typically include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and generally include, directly or indirectly, principals or other employees of Balance Point and its affiliates. Generally, current and prospective investors and prospective advisory clients must be (i) "accredited investors" within the meaning of Regulation D under the Securities Act of 1933, as amended, and (ii) "qualified purchasers" within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act") or qualified knowledgeable Balance Point personnel. Prospective investors or advisory clients may be required to meet additional suitability requirements, and minimum investment commitments are generally established for investors and advisory clients. However, Balance Point has discretion to permit investments below the minimum amounts set forth in the offering documents of the respective and prospective funds.

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

Investment Strategy

Balance Point's investment strategy is a hybrid approach in that the Firm is opportunistic in the sourcing of potential investments, but thematic in terms of how potential investments are evaluated (a "credit focused" approach). In addition, the Firm seeks to invest in both debt and equity securities with a target portfolio split of 75% debt and 25% equity. While Balance Point targets this debt to equity split at the portfolio level, any specific investment can be comprised of all debt, all equity or any combination of debt and equity that Balance Point believes will generate the appropriate risk adjusted returns.

The investment strategy focuses on identifying strong operating businesses in attractive industries with proven track records of operational and financial success and strong prospects for growth. These companies will typically be later-stage companies with proven cash flow generation capabilities to service debt investments and attractive growth opportunities to generate returns for equity investments. While the investment strategy is not industry specific, Balance Point generally makes a significant portion of its investments in services businesses in industries with positive long-term demand trends and limited capital requirements. Pursuant to the strategy, Balance Point has invested in industries such as aerospace and defense, healthcare, technology and information technology, media and energy. A company that is an attractive investment opportunity will possess some, if not all, of the following characteristics:

- Strong and committed management team with relevant knowledge and industry expertise;
- Sustainable market position with meaningful barriers to entry;
- Attractive loan to value coverage;
- Annual revenue between \$10 million and \$150 million;
- Annual EBITDA between \$2 million and \$25 million;
- Strong free cash flow generation capabilities, including low capital investment requirements; and
- Appropriately capitalized balance sheets with leverage levels at or below typical industry norms.

Methods of Analysis

All investment professionals share in the responsibility for sourcing potential investment opportunities for Balance Point. Each investment professional has his own approach to sourcing, but generally deals are sourced from the Firm's network of private equity and M&A contacts including, but not limited to, private equity sponsors, investment bankers, senior and subordinated lenders and co-investors, industry executives and other intermediaries (accountants, lawyers, etc.). After an investment professional sources a potential investment opportunity and has determined at a high level that it is of interest, any available information regarding the proposed transaction is circulated to all of the Firm's investment professionals, including all of the members of Balance Point's Investment Committee, for review. Approval from two out of three of the members of the Investment Committee is required for additional time and resources to be allocated to a further investigation of a potential investment opportunity. Potential investment opportunities that fail to receive the required approval for further investigation are turned down. Assuming a potential investment opportunity is approved for further investigation, a transaction evaluation team is established which is generally comprised of at least two Partners, at least one of whom is a member of the investment committee, and an appropriate level of supporting investment professionals (typically a total of three to four people make up a transaction evaluation team). Following the initial approval by the Investment Committee to conduct additional investigation of the opportunity, an introductory conference call or meeting is scheduled with the potential portfolio company's management team to get an overview of the business and the transaction. If there is continued interest in the potential investment opportunity following this initial management meeting, a non-binding indication of interest is typically issued. Each member of the Investment Committee is responsible for reviewing and approving every non-binding indication of interest prior to its submission to a potential portfolio company.

Balance Point conducts a thorough pre-investment due diligence process following the acceptance of a non-binding indication of interest by a potential portfolio company. In a typical process, the internal evaluation team conducts a meeting with the management team of the potential investment target. This "kick-off" meeting provides a more detailed overview of the potential investment

target, its lines of business, financial condition (historical and projected), competitive position, customer concentration, the industry/economic trends impacting the foregoing and a plant/facility tour. Thereafter, the evaluation team conducts extensive due diligence on the potential investment target with the assistance of the target's management. In addition to the due diligence conducted with the potential investment target, the evaluation team also conducts background checks on key managers (using third-party firms) and third-party validation checks with key customers, suppliers and other industry participants to confirm that these relationships are consistent with their characterization by the potential investment target's management. Based on the information reviewed during the initial phase of the due diligence process, the transaction team builds detailed financial models to forecast future financial performance, evaluate the creditworthiness of the business, evaluate the equity opportunity, evaluate the potential financial impact of various future events and generate expected investment returns. In addition to the due diligence conducted by the evaluation team, each Fund typically engages third-party advisors (legal, accounting and industry consultants) to augment the internal due diligence efforts.

Balance Point requires that a formal Investment Committee memorandum be prepared for each investment opportunity by the internal evaluation team, which includes, among other things, an overview of the potential investment target and the proposed transaction, the findings of the due diligence investigation of the transaction team and third-party advisors including key highlights and risk factors, assessment of the management team and equity and debt partners in the transaction, and the financial modeling and return analyses. Investment Committee meetings to approve or reject potential investment opportunities are scheduled on an ad hoc basis. Investment Committee members are also kept informed of the developments throughout the due diligence process during the weekly partnership meetings. For investment opportunities that successfully complete the due diligence process, there is a final Investment Committee meeting to formally approve the investment. Subject to the Investment Committee's unanimous approval, the execution team seeks to close the investment as quickly as practical.

Risk Factors

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments. Additionally, as explained more fully in each Fund's offering documents, the investment program of each Fund involves a substantial degree of risk. Examples of such risks include, but are not limited to:

Dependence on the Investment Manager

Investors will have no right or power to participate in the management of a Fund. Accordingly, no investor should purchase any interest in a Fund unless it is willing to entrust all aspects of management of such Fund to Balance Point. Investors will be relying on the management expertise

of Balance Point in identifying, acquiring, administering and disposing of investments by a Fund. Investors will not receive detailed financial information issued by portfolio companies in which a Fund invests, which will be available to Balance Point. In addition, if for any reason any of the Balance Point principals should cease to be involved in the management of a Fund, suitable replacements may be difficult to obtain, with the result that the performance of a Fund may be adversely affected.

Identification of Investments

A Fund will be dependent upon the Balance Point principals to identify attractive investments. A Fund will need to compete to make investments with other investment funds with objectives similar to those of the Fund. Many of these other investment funds are larger than a Fund and have well established records of successful investing.

Illiquid Investments

The portfolio companies in which a Fund invests will be comparatively small companies which have no readily available market for their securities, including a Fund's investment. A Fund typically will be dependent upon the portfolio company being sold, refinanced, reorganized or having a public offering in order to achieve liquidity for such Fund's investment.

No Assurance of Profits

A Fund will be dependent upon collecting interest on high-risk debt securities and profitably selling its investments in portfolio companies in order to realize profits which may be distributed to investors. During the early years of a Fund's operations, such Fund will incur organizational expenses, management fees, and other operating expenses which are unlikely to be offset by the current income such Fund realizes.

Limited Transferability

There is not expected to be a public market for the interests of a Fund. There will be substantial restrictions on transferring such interests, including Federal and State securities laws.

Competitive Nature of the Funds' Business

The business of a Fund is highly competitive. Some of a Fund's competitors may have greater resources than such Fund. Such competition may result in fewer opportunities made available to a Fund, and may impact the terms on which any such opportunities are made available.

Difficulty of Locating and Exiting Suitable Investments; Management Fee Due

The activity of identifying, completing, and realizing attractive investments is difficult and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to locate, consummate, and exit investments that satisfy such Fund's objectives or realize upon their values, or that a Fund will be able to invest fully its committed capital. Investors will be required to pay a quarterly management fee which is based in part on the entire amount of their commitments to a Fund, and the payment of such fee is required even if a Fund has not made an investment or experiences net losses in a particular quarter.

Diverse Investor Group

Investors may have conflicting investment, tax, and other interests with respect to their investments in a Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the strategic business of the investor, the taxable or tax-exempt status of the investor, the jurisdiction of organization of non-individual investors, the nature of investments made by a Fund, the structuring or the acquisition of investments, and the timing of disposition of investments. In selecting and structuring investments appropriate for a Fund, and otherwise while acting in its capacity as general partner of a Fund, Balance Point will consider the investment and tax objectives of a Fund as a whole, and not the investment, tax, or other objectives of any investor individually.

Defaults by Investors May Affect a Fund

If one or more investor fails to pay an installment of their commitment to a Fund when due, such Fund may be forced to call additional capital from non-defaulting investors. In addition, the default may mean that a Fund's available funds are inadequate to enable such Fund to make investments, pay expenses, and otherwise satisfy its liabilities and obligations.

Other Activities of Principals

The principals of Balance Point will devote enough of their business time necessary for the operation of the Funds. They are not, however, prohibited from (i) participating in pre-existing business ventures, commitments or engagements or in other business ventures that do not interfere with their responsibilities to the Funds, or (ii) taking part in civic, community, or charitable endeavors. These activities are not expected to consume amounts of time which would interfere with the operations of the Funds in any material way. There are no guarantees, however, that circumstances will not arise in connection with these activities that could require significant time and attention from the principals of Balance Point.

General Economic and Other Conditions

The business of the Funds and the portfolio companies may be adversely affected from time to time by such matters as: (i) changes in general economic, industrial, political, and international conditions; (ii) acts of war, terrorism, or international boycott; (iii) changes in taxes and prices of raw materials and components; and (iv) other factors of a general nature that are beyond the control of the Funds or the portfolio companies. The Funds and portfolio companies may be materially and adversely affected by the unavailability of credit due to disruption in the credit markets.

Global Health Risks

Disease outbreaks that affect local economies or the global economy may materially and adversely impact our investment portfolios and/or our business. These types of outbreaks have the potential to cause severe decreases in core business activities such as manufacturing, purchasing, tourism, business conferences and workplace participation, among others. These disruptions also have the potential to lead to instability in the marketplace, including market losses and overall volatility. In the face of such instability, governments may take extreme and unpredictable measures to combat the spread of disease and mitigate the resulting market disruptions and losses. In the event of a pandemic or an outbreak, there can be no assurance that we or our service providers will be able to maintain normal business operations for an extended period of time or will be able to retain the services of key personnel on a temporary or long-term basis due to illness or other reasons. The full impact of a pandemic or disease outbreaks is unknown, which could result in a high degree of uncertainty for potentially extended periods of time.

Cybersecurity Risk

Investment advisers, such as Balance Point, and their service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cyberattacks affecting an investment adviser, a client's custodian, or intermediaries or other third-party service providers may adversely impact a client's experience and/or investment. For instance, cyberattacks may cause the release of private information or confidential company information, subject the adviser to regulatory fines or financial losses, and cause reputational damage. Balance Point may also incur additional costs for cybersecurity risk management purposes. While Balance Point and our service providers have established business continuity plans and risk management systems designed to prevent or reduce the impact of cybersecurity attacks, such plans and systems have inherent limitations due in part to the ever-changing nature of technology and cybersecurity attack tactics, and there is the possibility that certain risks have not been adequately identified or prepared for. Furthermore, Balance Point cannot control any cybersecurity plans or systems implemented by its service providers.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or

disciplinary events that would be material to the evaluation of Balance Point or the integrity of its management. The Firm has no legal or disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

Balance Point Capital Advisors, LLC operates as a single advisory business together with its affiliates Balance Point Capital Managers, LLC, the general partner of Balance Point Capital Partners, L.P.; Balance Point Capital Managers II, LLC, the general partner of Balance Point Capital Partners II, L.P.; Balance Point Capital Managers III, LLC, the general partner of Balance Point Capital Partners III, L.P.; Balance Point Capital Managers IV, LLC, the general partner of Balance Point Capital Partners IV, L.P.; Balance Point Capital Managers V, LLC, the general partner of Balance Point Capital Partners V, L.P.; and Balance Point Capital CT Advisors, LLC, a relying advisor that was created to serve as investment adviser to the Connecticut Growth Capital, LLC. For a description of conflicts of interest relating to Balance Point Capital Advisors, LLC and the Funds' general partners, please see Items 6 and 11 of this brochure.

One of the Firm's principals, Lance Sauerteig, operates BLS Strategic Capital ("BLS") which provides consulting services to a small group of wealthy families. BLS receives consulting fees for services such as vetting potential investment opportunities identified by the families, analysis of asset allocation and opining on global economic views. BLS does not typically generate investment ideas nor does it have any discretionary authority to make investments on behalf of its clients. In his capacity outside of BLS, Mr. Sauerteig may at times share investment ideas with family and friends, which may potentially include clients of BLS. These individuals are under no obligation to invest alongside Mr. Sauerteig; there are no fees or any other type of compensation provided to either Mr. Sauerteig or BLS should any individuals choose to invest. In order to mitigate any potential conflicts of interest, any investment opportunity identified by Mr. Sauerteig that may be of interest to the Funds are first presented to Balance Point. Balance Point retains the right of first refusal for any such opportunity.

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

Code of Ethics

The Firm has adopted a Code of Ethics for all employees of Balance Point describing the Firm's high standard of business conduct and fiduciary duty to its clients. Under the Code of Ethics, employees are required to, among other things, avoid taking inappropriate advantage of their position and conduct personal trading activities in such a way as to avoid conflicts of interest. Employees must acknowledge the terms of the Code of Ethics annually, or as amended. The Code

of Ethics includes, among other things, policies regarding personal trading by Balance Point employees and members of their immediate families (“access persons”). Under the Code of Ethics, access persons must report every account that they use for the trading of securities covered by the policy and have copies of periodic account statements provided to Balance Point’s compliance department. In addition, access persons must pre-clear personal securities transactions in initial public offerings and private placements, including those in a Balance Point fund, with Balance Point’s compliance department. A copy of the Code of Ethics is available to any client or prospective client upon request by contacting Balance Point at 203-652-8252 or edale@balancepointcapital.com.

Participation or Interest in Client Transactions

Balance Point and its related persons may have indirect beneficial interests in the securities owned by the Funds and will share in any profits and losses generated by the Funds’ investments. Balance Point and its related persons are not permitted to have direct ownership in any portfolio investment of a Fund.

Item 12: Brokerage Practices

Selecting Broker-Dealers

Balance Point does not purchase investments through a broker-dealer. In the event that an investment requires Balance Point to utilize a broker-dealer, Balance Point shall seek to obtain best execution. The Firm has also adopted policies and procedures designed to ensure that it will seek to obtain best execution and that the selection of broker-dealers would be handled appropriately in the event that a broker-dealer is used.

Research and Soft-Dollar Benefits

In general, investment advisers are permitted to enter into an arrangement with a broker-dealer whereby they receive research or brokerage services in exchange for the placement of client trades. Under such an arrangement, the research or services may be paid for with client commission dollars (“soft dollars”). Balance Point does not enter into soft dollar arrangements with broker-dealers or otherwise receive soft dollar benefits.

Brokerage for Client Referrals

Balance Point does not purchase investments through a broker-dealer. Accordingly, Balance Point does not receive referrals from broker-dealers or third parties in exchange for brokerage.

Directed Brokerage

In a directed brokerage arrangement, a client directs the investment adviser to send some or all of the client's securities transactions to a designated broker-dealer. In exchange, the broker-dealer may agree to provide services to the client, pay certain client expenses, or make cash rebates. Because Balance Point does not purchase investments through a broker-dealer, Balance Point does not recommend, request or require that a client enter into a directed brokerage arrangement.

Aggregating (Block) Trading

Investment advisers often aggregate multiple orders for shares of the same securities purchased for multiple advisory accounts (this practice is commonly referred to as "block trading"). Balance Point does not currently aggregate client orders. However, the Firm has adopted policies and procedures governing block trading in the event that the Firm does decide to execute client transactions with broker-dealers.

Item 13: Review of Accounts

Balance Point's investment professionals, including all Investment Committee members, generally hold regular weekly meetings at which time all portfolio investments are reviewed, including performance, material developments and other significant matters that could reasonably have a material effect on a portfolio investment. Because the investments made by the Funds are generally private, illiquid and long-term in nature, the review process is not directed toward a short-term decision to dispose of investments. In addition, Balance Point's investment professionals closely monitor and review the valuations of all Fund portfolio investments. Balance Point furnishes audited financial statements for the Funds to all investors on an annual basis. Additionally, Balance Point distributes quarterly and annual performance update letters on all portfolio companies and fund activity. The Funds' financial statements are audited annually by independent certified public accountants registered with the Public Company Accounting Oversight Board.

Item 14: Client Referrals and Other Compensation

Balance Point utilized a third-party placement agent to secure investors for Balance Point Capital Partners III, L.P. If a prospective investor in said fund was introduced to Balance Point by the placement agent, Balance Point paid such placement agent a referral fee.

Balance Point does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to its clients.

Item 15: Custody

Certain Fund assets are held in custody by unaffiliated broker/dealers or banks. Balance Point is considered to have custody of the Funds' assets because Balance Point is affiliated with the general partner of each Fund, which has authority over the Funds' assets. Fund investors will not receive statements from the custodian. Instead, the Funds are subject to an annual audit by independent certified public accountants. The audited financial statements are prepared in accordance with U.S. generally accepted accounting principles and distributed to Fund investors within 120 days of the Funds' fiscal year end.

Item 16: Investment Discretion

Subject to the investment objectives, policies and restrictions of each Fund as set forth in the organizational and offering documents of such Fund, Balance Point has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Fund.

Item 17: Voting Client Securities

Balance Point has the authority to vote the proxies received on securities held by the Funds as well as other votes solicited for corporate actions affecting portfolio holdings. Balance Point's objective is to vote proxies in the best interests of the Funds as mandated by the Funds' objectives described in the private placement memoranda. The Firm's investment professionals monitor and opine on proxy proposals. In consultation with senior management, investment professionals will consider whether Balance Point is subject to any material conflict of interest in connection with each proxy vote. Investment professionals must notify Balance Point's Chief Compliance Officer if they are aware of any material conflict of interest associated with a proxy vote. Potential conflicts will be assessed on a case-by-case basis. Balance Point may abstain from voting if it deems that abstinence is in the Funds' best interests. Current investors may request a copy of Balance Point's full proxy voting policies and procedures and the voting records as provided by Rule 206(4)-6. Please contact Balance Point at 203-652-8252 or edale@balancepointcapital.com.

Item 18: Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about its financial condition. Balance Point has no financial commitment that impairs its ability to meet contractual and/or fiduciary commitments to clients, and the Firm has not been the subject of a bankruptcy proceeding.