

## Item 1: Cover Page

# BasePoint Advisors LLC Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of BasePoint Advisors LLC (“**BPA**”). If you have any questions about the contents of this brochure, please contact us at 212-634-9900. 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.

Additional information about BPA is also available on the SEC’s website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

We are required to tell you about any material changes in this updated Brochure since our last Brochure was prepared and filed with the SEC on September 20, 2022.

While we have not made any material changes to this Brochure, we have made certain updates to the information in this Brochure which BPA does not view as material changes. We encourage all recipients of this Brochure to read it carefully in its entirety.

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## Item 4: Advisory Business

BasePoint Advisors LLC (“**BPA**,” the “**Adviser**,” “**us**” or “**we**”), a Delaware limited liability company founded in 2021, is located in New York, New York. BPA became registered with the SEC on November 3, 2021, and began offering investment advisory services on January 3, 2022. In December 2021, BasePoint Advisors Holdings L.P. (“**BPAHLP**”) became the direct owner of BPA. The general partner of BPAHLP is BasePoint Group Inc. (“**BGI**”) and the sole limited partner of BPAHLP is FarPoint Mgt. L.P. (“**FPMLP**”). BGI is a wholly owned direct subsidiary of Advantage Insurance Inc. (“**AVI**”). The general partner of FarPoint Mgt. L.P. is FarPoint Mgt. Group Corp. Eric Schneider, the CEO and CIO of BPA is the sole owner of FarPoint Mgt Group Corp. and entities owned or controlled by BPA management hold all of the limited partnership interests in FPMLP. Seventy-five percent (75%) of BPA’s investment management profits (if any) are allocable to FPMLP. The balance (*i.e.*, 25%) are allocable to AVI.

BPA focuses primarily on investing in credit opportunities and special situations in the specialty finance universe, including, without limitation, acquiring primary and secondary loans.

BPA provides investment advisory services to pooled investment vehicles which could include a “fund of one” (each, a “**BPA Fund**” and collectively, “**BPA Funds**”). BPA Funds are sometimes collectively referred to herein as the “**Funds**” and individually, as a “**Fund**”.

BasePoint Capital LLC (“**BasePoint Capital**”), an affiliate of BPA, is a commercial service provider to separately organized and segregated subsidiaries that borrow, participate in, or originate loans which are typically formed as limited liability companies or as a statutory series of a Delaware statutory trust (each a “**BP Lender**”, and collectively, “**BP Lenders**”). BP Lenders ultimately provide debt and equity financing solutions to originators and specialty finance companies in the consumer finance, small business, and fintech space.

BP Lenders typically syndicate a portion of their funding obligations through the sale of limited recourse loan participation interests to third parties including one or more of the Funds. These participation interests are not offered to the public as an investment vehicle. Rather, they are made available on a confidential basis only to sophisticated banks, insurance companies and other institutions, family offices, high net worth individuals and, as noted above, one or more of the Funds. Accordingly, BPA Funds may invest in loans originated or acquired by one or more BP Lenders directly or otherwise (as a direct lender, co-lender, or loan participant).

BPA generally has discretion to invest BPA Fund assets pursuant to the terms of the governing documents and/or related agreements of each BPA Fund. Any applicable limitations or restrictions on BPA’s investment discretion are set forth in each applicable Fund’s governing documents and/or its related offering documents and/or sometimes in a side letter with a BPA Fund investor. In some circumstances, certain substantial BPA Funds (generally, those with more than \$200 million in assets to invest through BPA) may desire to invest in a customized portfolio of loans (as a direct lender, co-lender, or loan participant) with one or more BP Lenders, with customized credit enhancement and co-investment requirements, and/or other investment products through a separate Fund.

BPA manages each BPA Fund pursuant to the objectives specified in the governing documents and offering documents (which may include, a private placement memorandum made available to prospective investors and/or a side letter with a particular investor), by which each BPA Fund offers its ownership interests to investors and pursuant to the restrictions or limitations set forth therein and/or in each BPA Fund’s investment management agreement and/or side letter agreement with its general partner. A BPA affiliate serves as the general partner of each BPA Fund. In some instances, a BPA principal or one or more BPA employees, may directly or indirectly co-invest in a BPA Fund. In those circumstances in which the subject investment opportunity is with a BP Lender, and therefore is deemed to be a principal transaction between BPA’s affiliate (*i.e.*, a BP Lender) and the BPA Fund, BPA will, to the extent required by applicable law or the relevant governing documents, obtain the prior consent of a BPA Fund for such transactions. Underlying investors should note that the governing documents for a Fund

may authorize one or more representatives on behalf of the investors to provide or withhold such consent on behalf of such investors. BPA has adopted policies and procedures to ensure that these related-party transactions are affected subject to applicable law and the relevant BPA Fund governing documents. BPA will only permit such related-party transactions when it believes, in good faith, that such transactions are in the best interests of the relevant BPA Fund.

Underlying BPA Fund investors should note that the governing documents for a BPA Fund may include specific appointment and authorization of a legal representative or board of representatives to decide on behalf of all Fund investors, whether to consent to each such transaction on behalf of the Fund.

Although such representative(s) of the investors are authorized to act in the best interest of the subject Fund, they also may have similar responsibilities to other funds and their investors.

As noted above and hereinafter, the Adviser and/or its affiliates may enter into side letters or other similar agreements with certain investors in specific BPA Funds (without the approval of any other BPA Fund investors) in connection with their admission to such BPA Funds. Such side letters or other similar agreements may alter and/or supplement the terms of the BPA Fund's governing documents (with respect to the specific investor in question) in a manner that makes the terms applicable to such investors more favorable than those applicable to other investors (including, without limitation, with respect to fees).

As of the date hereof, BPA has regulatory assets under management on a discretionary basis of \$673,695,339.

The specific advisory services that we offer to BPA Funds, including the investment strategies pursued and investments recommended to, or chosen by us, on behalf of BPA Funds, should not be construed to limit or restrict our investment advice, strategies, or business in any manner. We may offer advisory services, engage in any investment strategy, and make investments in securities and non-securities that are not otherwise described in this Brochure, but we otherwise consider appropriate for our BPA Funds, subject to such BPA Fund's investment objectives, guidelines as well as any specific restrictions, limitations, or prohibitions they may impose.

## **Item 5: Fees and Compensation**

The fees and compensation charged by BPA are specified in the governing documents for each BPA Fund, and, as applicable, in any side letter entered into with a BPA Fund investor. The fees and compensation described in this section represent what BPA generally charges to its advisory clients as well as other fees and expenses that BPA Funds may incur.

BPA will generally deduct its applicable "**Management Fee**" from each BPA Fund, on a quarterly basis in advance. Additionally, an affiliate of BPA, serving as the general partner of a BPA Fund organized as a limited partnership, or as a manager of a limited liability company, is entitled to receive an incentive fee and/or carried interest ("**Performance Fee**" or "**Performance Fees**") from the subject BPA Fund. Performance Fees assessed are based upon on the aggregate net realized gains (inclusive of net interest income) from

investments made by the BPA Fund, to the extent the gains exceed a certain performance benchmark or hurdle. Any carried interest for a BPA Fund will be allocated internally by such BPA Fund, by debiting the capital account of each limited partner or member, as the case may be, and crediting the capital account of the BPA affiliated general partner or manager. Generally, a Performance Fee will be assessed as the underlying investments realize gains.

Only those potential investors who or which meet the definition of a “qualified purchaser,” as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”) (each, a “**Qualified Purchaser**” and collectively, “**Qualified Purchasers**”) will be eligible to become investors in a BPA Fund.

Each investor in a BPA Fund subject to a Performance Fee will be required to certify his or its status as a Qualified Purchaser, as a condition of becoming an investor in such BPA Fund.

Each BPA Fund will be responsible for its own expenses, including, without limitation, its custodial fees, organizational and offering expenses, and audit costs. The specific expenses of each BPA Fund will be set forth in such BPA Fund’s offering documents. In any event, except as provided in the applicable governing documents, BPA will only receive its Management Fee from each BPA Fund, and no other fees or compensation. However, its affiliate is expected to receive the Performance Fee allocable by such BPA Fund or as provided under an applicable side letter.

Certain expenses will be shared among multiple relevant BPA Funds and/or among relevant BPA Funds and BPA. In such instances, BPA will endeavor to allocate the expenses in a manner that is fair and equitable to all relevant BPA Funds. Shared expenses incurred in connection with specific investment opportunities generally will be allocated on a pro-rata basis (although in certain instances, certain BPA Funds may not be required to fund their pro rata shares) based on (i) each relevant BPA Fund’s ownership of such investment, for investments that have been consummated; or (ii) the respective committed capital of each applicable BPA Fund that is eligible to participate (and would have participated, pursuant to BPA’s investment allocation policy) in the investment opportunity in question, for investments that have not been consummated. Operating expenses and investment-related expenses that are not related to specific investment opportunities generally will be allocated on a pro-rata basis based on the most recent quarter-end net asset value or committed capital of each relevant BPA Fund, as appropriate. To the extent a portion of a shared expense is attributable to one or more BPA Funds to whom BPA is not permitted to charge such expense, BPA will bear the portion of the expense attributable to such BPA Fund(s). The governing documents of certain BPA Funds may contain expense provisions that vary from the items set forth above and these are negotiated on a case-by-case basis. For a further discussion about Performance Fees, please refer to Item 6 of this Brochure entitled “*Performance-Based Fees and Side-by Side Management.*” Refer also to Item 12 of this Brochure entitled “*Brokerage Practices.*”

## Item 6: Performance Based Fees and Side-by-Side Management

As discussed in Item 5 of this Brochure entitled “*Fees and Compensation*”, a designated general partner affiliate of BPA is entitled to receive a Performance Fee from each BPA Fund.

Performance-based fee arrangements, including the establishment of a carried interest, may create an incentive for BPA to make riskier investments than would otherwise be the case in the absence of such arrangements. In addition, it may create an incentive for BPA to favor those Clients which may be subject to a higher Performance Fee over other Clients that are subject to a lower Performance Fee in the allocation of investment opportunities by BPA. To mitigate this conflict, all investment decisions and allocations will be made in accordance with BPA’s internal allocation policies and procedures, and the type of BPA Fund (including those that have a specific customized approach), the availability of the subject investment, whether a loan, loan participation or security, relative size of the advised account of each BPA Fund, the then cash available in each such BPA Fund’s account, as well as any specific investment guidelines, restrictions, limitations or prohibitions specified by the BPA Fund, including any BPA Fund of one which elects to have a customized portfolio. In addition, although BPA is an affiliate of the BP Lenders, which are expected to originate many of the loans and loan participations offered to each BPA Fund, a BP Lender will offer, subject to its retention of Residual Interests (as hereinafter defined) in each loan or loan participation it originates, the balance of such loan or available loan participations to BPA for purchase by those BPA Funds, some of which may be unaffiliated with the subject BP Lender or BPA.

Fund investors should be aware that the BP Lenders and their affiliates have customarily retained a portion of each loan and loan participation they originate, directly or indirectly through the equity ownership of the subject BP Lender (each, a “**Residual Interest**” and collectively “**Residual Interests**”). The value of such Residual Interests is directly related to the spread between what is paid by the underlying borrowers and the agreed upon portion thereof to be paid to the participating lenders, including BPA Funds, with respect to the portion of such loan or loan tranche in which they participated. The amount of the spread varies with each loan or loan participation, and depends upon the terms and risk parameters of the specific credit facility and the business of the subject borrower, as well as the relative economic terms and risk parameters between the specific BP Lender and each of the participating lenders (including BPA Funds). BPA Funds are advised that BP Lenders may continue to make such Residual Interests available to AVI, one or more of its other subsidiaries, as well as to other unaffiliated lenders and, in certain circumstances, to one or more BPA Funds.

Investors in BPA Funds should also be aware that the value of the Residual Interests will generally increase with the sale of more interests in the underlying loans and loan participations. BPA anticipates that in most instances, other tranches of a loan or loan participation originated by a BP Lender will be offered to both BPA Funds and unrelated third parties, which are similarly situated, on substantially the same terms and conditions. In order to address the potential conflicts that are present in each of these situations, BPA has adopted policies and procedures to ensure that each BPA Fund consents to or otherwise

approves each of these related-party transactions at or before completion, and that such transactions are effected subject to applicable law and the relevant BPA Fund governing documents. BPA will only permit such related-party transactions (or recommend them for applicable approval) when it believes, in good faith, that such transactions are in the best interests of the relevant BPA Funds. See Item 10 of this Brochure entitled “*Other Financial Industry Activities and Affiliates*” for a discussion of potential conflicts of interest arising therefrom, and Item 11 of this Brochure entitled “*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*,” which further describes how BPA will be dealing with such “principal transactions” between a BP Lender and BPA Funds.

## **Item 7: Types of Clients**

BPA presently provides investment advice only to pooled investment vehicles (*i.e.*, the BPA Funds). BPA anticipates that the investors who or which will be offered an opportunity to participate in a BPA Fund, will generally consist of family offices, charitable organizations, state or municipal government entities, other investment advisers, insurance companies, sovereign wealth funds and foreign official institutions, other corporations or businesses, business development companies, and business development companies that have made an election pursuant to Section 54 of the Investment Company Act. As noted above in Item 5 of this Brochure entitled “*Fees and Compensation*”, for Clients which are subject to a Performance Fee each investor in any BPA Fund will be required to meet the definition of a Qualified Purchaser.

In addition, each underlying investor in a BPA Fund must be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended. Certain employees of the BPA Fund who qualify as “knowledgeable employees” under Rule 3c-5 of the Investment Company Act may be permitted to invest directly or indirectly in a BPA Fund. The offering documents of each BPA Fund will set forth the minimum amounts required for investment by prospective investors. These minimum amounts may be waived by the general partner of the subject BPA Fund. Investors in BPA Funds should read the offering and organizational documents in full and consult with their advisors prior to making an investment.

As noted in Item 4 of this Brochure “*Advisory Business*”, some investors with substantial assets available for management by BPA (generally, those with more than \$200 million in assets to be managed) may establish a customized Fund with BPA comprised of specifically chosen loan portfolio characteristics, syndication agreements and credit enhancement arrangements with certain BP Lenders that will not otherwise be made available to other BPA Funds.

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

BPA concentrates its management of BPA Funds generally in credit instruments across multiple sectors, either directly or indirectly, including by acquiring interests in loans to borrowers secured by income producing assets (such as consumer or commercial receivables), or direct interests in portfolios of such income producing assets, and other debt securities (collectively, “**Credit Investments**”). Such Credit Investments may be

secured by or constitute interests in: commercial loans; real or personal property; automotive loans; equipment loans; leases related to equipment, vehicles and other goods and merchandise; aircraft leasing and finance, corporate loans; receivables financing; purchase order financing; consumer loans; retail point of sale financing; asset based financing; loans secured by cash flow; working capital loans; short-term loans; merchant cash advances; small business loans; other asset based financing or other instruments or property (all of the foregoing, “**Underlying Receivables**”).

Where permitted by the applicable governing documents, BPA intends to have its BPA Funds acquire or invest in equity or similar ownership interests in the originators (“**Originators**”) of the assets underlying the Credit Investments (“**Equity Investments**”). Equity Investments may include common stocks, preferred stocks, convertible securities, warrants, depositary receipts, ETFs, equity interests in real estate investment trusts and master limited partnerships and may ultimately evolve into certain types of derivative transactions for hedging purposes or to enhance total return.

#### **Methods of Analysis, Investment Strategies and Risk of Loss.**

The descriptions set forth in this Brochure of specific advisory services that we offer to BPA Funds, and investment strategies pursued, and investments made by us on behalf of our BPA Funds, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy, and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each BPA Fund’s investment objectives, guidelines, restrictions, limitations, or prohibitions, as the case may be. The investment strategies we pursue are speculative and entail substantial risks. Each investor in a BPA Fund should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any BPA Fund will be achieved.

BPA’s objective generally is to present BPA Funds with specialty finance opportunities in Credit Investments that (i) are sufficiently collateralized to preserve capital, and (ii) will generate income in accordance with each BPA Fund’s stated investment objectives. Given the nature and risks associated with opportunistic specialty finance lending, BPA’s first focus is on the collateral available for each investment in order protect principal, and second on obtaining an appropriate return given the term and risk associated with each specific investment.

BPA Funds predominantly invest in credit facilities originated and administered by BasePoint Capital and its specialty finance affiliates, from whom BPA expects to source the majority, if not all, of the loan investments for the BPA Funds and which provide financing to specialty finance companies in the underbanked consumer and small business market. See Item 10 of this Brochure entitled “Other Financial Industry Activities and Affiliates” below for a discussion of potential conflicts of interest arising therefrom.

#### **Asset-Based Lending/Investing**

BPA generally looks for investment opportunities that are secured by Underlying Receivables, such as loans with a pledge of collateral and/or secured liens. BPA works with Originators which have expertise in asset valuation. Furthermore, with respect to unaffiliated Originators, and more particularly in acquiring assets on a secondary basis,



BPA may request independent third party specializing in asset valuation to review the same to determine both the then current market and distressed valuations.

#### Low Market Correlation

BPA generally looks at investment offerings that provide low or relatively low correlation to the broader markets, meaning that they may be less affected by macro-economic and stock market volatility. As macro-economic conditions typically affect both the stock market as well as the asset values and viability of companies that form our underlying collateral and our borrowers, large deteriorations in such conditions may make it impossible to have low correlation to achieve such investment objective.

#### Sale of Investments

BPA does not acquire investments for the BPA Funds for the primary purpose of reselling such investments in the ordinary course of business. However, BPA may cause a Fund to sell investments, or fractional interests in such investments, when it determines that it may be advantageous for one or more of the subject BPA Funds to do so, based upon then current interest rates, the length of time that the investment has been held by the Fund and the Fund's investment objective and strategies.

#### Material, Significant or Unusual Risks Relating to Investment Strategies

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the BPA Funds advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

#### **General Risk of Loss.**

In all cases, investors in the BPA Funds are advised that:

- investing in securities involves a risk of loss, including the risk that obligors on Underlying Receivables will not repay or otherwise perform their obligations in full, leading to a loss on related Credit Investments and/or Equity Investments;
- the risks of investing mean that investors in the BPA Funds may lose all or most of their investment;
- investment performance of any kind can never be guaranteed. Investments may lose value over time and no return is guaranteed;
- investments are not guaranteed or insured by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporations or any bank, any governmental agency or any third party;
- historical performance of a BPA Fund and the Originator is not indicative of future performance and, investors in the BPA Funds may lose part or all of their capital; and
- there can be no assurances that a client's desired return and risk level can, or will, be achieved.

Specific risks associated with the proposed investment strategy will be provided to prospective BPA Fund investors in the related BPA Fund Offering Documents for the subject BPA Fund. All prospective investors are urged to review this Brochure, including all disclosures of potential or actual conflicts of interest, and the risk factors in their entirety and with their tax, legal and financial advisors prior to investing in a specific BPA Fund.

### **No Assurance of Investment Return**

There can be no assurance that BPA will be able to generate returns for any of the BPA Funds or that the returns will be commensurate with the risks of investing in the type of investments in which such BPA Funds participate.

### **Highly Competitive Market for Investment Opportunities**

The activity of identifying, completing, and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that BPA will be able to locate, consummate and exit investments that satisfy its rate of return objectives or realize upon their values or, if the BPA Fund is set up on a draw-down basis, that it will be able to invest fully its committed capital.

### **Limited Liquidity**

Many of BPA's recommendations are made with the assumption that a considerable amount of time will pass before the investment provides a realizable gain to investors in the BPA Funds. In certain instances, a BPA Fund may be forced to sell or exit an investment earlier than BPA would recommend due to liquidity issues, the dissolution of an investor, the subject BPA Fund, or other possible factors.

### **Illiquid and Long-Term Investments**

Investments recommended by BPA may require a long-term commitment with no certainty of return. Many of the investments held in each BPA Fund will be highly illiquid, and there can be no assurance that an investor in a BPA Fund will be able to realize on such investments in a timely manner. Although certain investments may generate current income, the return of capital and the realization of gains, if any, from an investment may (on a case-by-case basis) occur only upon the partial or complete disposition or refinancing of such investment.

### **Investments Longer than Term**

A Fund may make investments which may not be advantageously disposed of prior to the date such Fund will be dissolved, either by expiration of its term or otherwise. In addition, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds will occur.

### **Adverse economic conditions in financial markets, and other general business risks, may affect returns on each Fund's investments.**

BPA Funds are subject to significant risks because of business, financial, market or legal uncertainties and other risks that are inherent in the business in which the applicable Originator of any Credit Investment or Equity Investment is engaged. An investment should only be considered by persons who are able to independently evaluate the merits and risks of such businesses.

Furthermore, events in the global financial markets, including those described below under *“Investors in BPA Funds may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, which may have a material adverse effect on the BPA and global financial markets”*; the failure, acquisition or government seizure of several major financial institutions; the establishment of government initiatives such as the government bailout programs for financial institutions and assistance programs designed to increase credit availability, support economic activity and facilitate renewed consumer lending; disrupted credit markets; the devaluation of currencies by foreign governments; the slowing growth in China’s economy; the failure of Japan’s economic policy to stimulate the Japanese economy; the rating agency downgrade of U.S. Treasury bonds and other debt instruments backed by the full faith and credit of the U.S., together with similar downgrades of United Kingdom and other European Union sovereign debt, the abandonment of the Euro by a country’s involuntary or voluntary exit from the European Union, and the United Kingdom’s discontinuation of its membership in the European Union, commonly known as “Brexit”, could adversely affect the ability of any obligor to meet its payment obligations and the ability of an Originator to generate an adequate volume of future Underlying Receivables. There can be no assurance that the uncertainty relating to the sovereign debt of various countries or the voluntary or involuntary exit from the European Union by United Kingdom or other European Union members will not lead to further disruption of the credit markets in the U.S. and/or deterioration in general economic conditions. Any of the foregoing could adversely affect the performance of a Credit Investment and/or Equity Investment, which would reduce amounts distributed to investors in a BPA Fund.

**BPA Funds may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, which may have a material adverse effect on the global financial markets and the underlying investments made by each BPA Fund.**

BPA Funds may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, fires, floods, earthquakes and other natural disasters; power loss, computer systems failures and internet, telecommunications or data network failures; physical and electronic loss of data or security breaches, misappropriation and similar events; computer viruses; terrorism, intentional acts of vandalism and similar events; and public health crises, including the occurrence of a contagious disease or a pandemic (such as the recent novel strain of coronavirus, known as COVID-19). Disease outbreaks that affect local economies or the global economy may materially and adversely impact a BPA Fund’s investment portfolio and/or BPA’s business as a whole. 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 BPA 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 outbreak is unknown, which could result in a high degree of uncertainty for

potentially extended periods of time. To the extent that any such event occurs and has a material effect on global financial markets or specific markets in which BPA Funds participate (or has a material effect on locations in which underlying commercial obligors operate) the risks of loss can be substantial and could have a material adverse effect on the performance of BPA Funds' investments.

In addition, BPA and its affiliates use management information systems to service and administer each BPA Fund's investments, including monitoring of collections and servicing, administration, and maintenance of the related Underlying Receivables. Among other risks, these systems are subject to damage or interruption from the catastrophic events listed above. Furthermore, the software that BPA and/or its affiliates use in daily operations may contain undetected errors that could cause the information network to fail. Any failure of such systems due to any of these causes or other unforeseen events, if it is not supported by a disaster recovery plan, could cause an interruption in operations, and result in reduced collections.

#### **Investments may be subject to Credit Risk.**

The performance of a Credit Investment, and thus the economic return on a BPA Fund's investment, is subject to credit risk. "Credit risk" refers to the likelihood that a borrower (or underlying obligor) will default in the payment of principal and/or interest on a loan instrument. Financial strength and solvency of a borrower are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a loan instrument may affect its credit risk. Credit risk may change over the life of a loan. Credit Investments may involve the extension of credit to a borrower experiencing significant financial or business difficulties (including companies or individuals involved in bankruptcy or other reorganization and liquidation proceedings). Adverse business, financial or economic conditions that can lead to defaulted principal and interest payments and insolvency proceedings. The repayment of defaulted loan obligations is subject to significant uncertainties. Defaulted loan obligations might be repaid, if at all, only after lengthy workout or bankruptcy proceedings, during which the borrower might not make any interest or other payments.

#### **Investments may be subject to interest rate risk.**

"Interest rate risk" refers to the risk associated with market changes in interest rates. Interest rate changes may affect the value of a loan instrument indirectly (especially in the case of fixed rate loans) and directly (especially in the case of loan instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate loan instrument and falling interest rates will have a positive effect on price. Changes in interest rates will fluctuate, which could reduce the market value of Credit Investments held by a BPA Fund.

#### **Legal, Tax and Regulatory Risks**

Legal, tax and regulatory changes could occur during the term of a BPA Fund that may adversely affect an investor in such Fund. There is a material risk that regulatory agencies may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the private equity industry, the consumer finance industry or the specialty lending

industry, or other changes that could adversely affect private equity firms (inclusive of those with a focus on credit opportunities and special situations investing) and the funds that they sponsor, including a BPA Fund.

**Investments in a BPA Fund may include Credit Investments that are obligations of special-purpose entities (“SPEs”), where repayment of the related Credit Investment is limited to such SPE’s assets, and no additional collateral or credit recourse on the Credit Investment is being provided by any person.**

An SPE that is a borrower on a Credit Investment generally will not have any significant assets other than the related Underlying Receivables. In such case, the subject BPA Fund will not have credit guarantees or recourse for payment of the related Credit Investment to any person or assets, other than the SPE. Furthermore, certain assets of the SPE may be released and paid out to other persons, such as service providers, or any other person entitled to payments from the SPE prior to making payment on the Credit Investment. In such case, the subject BPA Fund will be exposed to the credit risk of the Underlying Receivables rather than the general credit risk of the related Originator.

**Investment in loans and related participation interests are subject to unique risks.**

Each BPA Fund’s investments will include investments in loans and related participation interests. These obligations are subject to unique risks, including, (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws, (ii) so-called lender-liability claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, (iv) limitations on the ability to directly enforce rights with respect to participations, and (v) possible claims for the return of some or all payments in a debt made within 90 days (and in some cases, within one year) of the date that the issuer’s/borrower’s insolvency came under Title 11 of the United States Code (the “**Bankruptcy Code**”) and under certain state laws.

Particularly with respect to participation interests, a BPA Fund will have a contractual relationship only with the assigning lender, and not with the SPE, the Originator or any other person involved in the participated loan. In such event, the BPA Fund will not have any rights, remedies or other recourse that may be exercised directly against the SPE, the Originator, any personal guarantor, or any obligor on a related Underlying Receivable, including any right of set-off. In addition, because the holder of a participation interest is counterparty to the assigning lender instead of the SPE, if the assigning lender becomes insolvent, such participation interest could be superseded by the senior creditors of the assigning lender. If this were to occur, the BPA Fund could experience delays or losses on its investment.

In analyzing each loan or participation, BPA will compare the relative significance of the risks against the expected benefits of the investment. Any loss incurred as a result of these risks may be significant and adversely affect client performance.

**Some of the Credit Investments purchased by BPA Funds will be or will become non-performing, which could significantly and adversely affect Client performance.**

It is anticipated that some of the Credit Investments that BPA Funds will purchase will be or become non-performing and possibly in default. Furthermore, the obligor and/or

relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments with respect to the Credit Investments. By their nature, these investments will involve a high degree of risk. Such non-performing loans (“**NPLs**”) may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. Commercial and industrial loans in workout and/or restructuring modes and the bankruptcy or insolvency laws of non-U.S. jurisdictions are subject to additional potential liabilities, which may exceed the value of a client’s original investment. For example, borrowers often resist foreclosure on collateral by asserting numerous claims, counterclaims, and defenses against the holder of loans, including lender liability claims and defenses, in an effort to delay or prevent foreclosure. Even assuming that the collateral securing each loan provides adequate security for the loans, substantial delays could be encountered in connection with the liquidation of NPLs. In the event of a default by a borrower, these restrictions as well as the ability of the borrower to file for bankruptcy protection, among other things, may impede the ability to foreclose on or sell the collateral or to obtain net liquidation proceeds sufficient to repay all amounts due on the related loan. Under certain circumstances, payments earned from these NPLs may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Bankruptcy laws may delay a client’s ability to realize on collateral for loan positions held by such client 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 Code. Any loss incurred on these types of investments may be significant and adversely affect client performance.

**Credit enhancement for a BPA Fund Investment may be inadequate.**

A Credit Investment that is a senior interest in a loan or other obligation may have credit enhancement provided by excess spread and/or overcollateralization. Greater than expected losses, the rapidity of collections and/or the timing of defaults on the related Underlying Receivables would have the effect of reducing, and could eliminate, the protection against loss afforded by this credit enhancement.

**Some of the Credit Investments purchased by BPA Funds will be subordinate to senior holders.**

A Credit Investment may represent a subordinate right to receive payments in respect of the related underlying obligation, including senior notes issued by an SPE or one or more senior participating interests in the related loan. This means that, under certain circumstances, a BPA Fund and, therefore its investors, may not receive any payments in respect of a BPA Fund’s investment until all payment obligations to the holders of the senior interests have been satisfied. Subordinate investments may or may not include a second lien on the related Underlying Receivables. If collections on the related Underlying Receivables are insufficient to pay all amounts due, a BPA Fund may lose some or all of its investment.

**General business risks related to Equity Investments.**

Equity Investments in companies include the potential risk of an increased exposure to adverse economic factors such as an increase in interest rates, a downturn in the economy

or further deterioration in the economic conditions of such company or its industry. As such, the companies subject to an investment may be unable to generate sufficient cash flow to meet its financial obligations. Accordingly, the value of such company could be significantly reduced or even eliminated due to further credit deterioration.

**Some companies may require considerable future funding.**

Some of our investments may include investments made in companies operating at a loss or with significant variations in profitability. These companies may need substantial additional capital to continue operations. They may be dependent, in whole or in part, on additional investment of capital. Such companies may be unable to obtain such follow-on investments. Any inability to obtain such investments (including by reason of BPA not recommending such additional investment for a particular BPA Fund, or any BPA Funds or BPA affiliates not making any such additional investment), may have substantial adverse effects on the company in need of such capital and is likely to decrease the value of the company and the value of a BPA Fund's Equity Investment in the company. Even if such follow-on investments were made, there can be no assurance that such investments will result in a favorable outcome.

**Investments in foreign investments may involve significant risks in addition to the risks inherent in investments.**

BPA's investment strategy may involve investments issued by foreign entities, including foreign borrowings or assets controlled by foreign entities. Investing in foreign entities may expose BPA Funds to additional risks not typically associated with investments in U.S. issuers, or in assets controlled by U.S. issuers or located in the U.S. BPA's investment strategy may also involve investments in securities of issuers in so-called "emerging markets" (or lesser developed countries, including countries that may be considered "frontier" markets). Such investments are particularly speculative and entail all of the risks of investing in foreign investments but to a heightened degree.

**Participation interests are unsecured and participants have limited rights.**

BPA Funds may hold participation interests or other indirect economic interests in loans or other debt assets. In such circumstances, BPA Funds will not directly own the debt assets underlying such participation interests or other economic interests and/or have custody thereof. While the originating lender's interest is secured by the assets pledged to the underlying loan from which the participation interest stems, the participation interests held by BPA Funds are not directly secured by the same assets. As such, if the originating lender becomes insolvent, then a BPA Funds' participation interests could be superseded by the senior creditors of the originating lender and the subject BPA Fund(s) may lose some or all of its or their investment or payment thereon could be substantially delayed.

In addition, as an owner of participation interests or other indirect economic interests (including as a member of a loan syndicate), BPA Funds may not be able to assert any rights against borrowers of the underlying indebtedness and may need to rely on the holder/custodian (or other financial institution) issuing the participation interests or such other entity charged with the responsibility for asserting such rights, if any. Such holders/custodians and financial institutions or other entities may have reasons not to assert their rights, whether due to a limited financial interest in the outcome, other relationships

with the underlying defaulting borrowers, the threat of potential counterclaims or other reasons, which may diverge from the relevant client's interests. The failure of such holders/custodians and financial institutions or other entities to assert their rights (on a client's behalf) or the insolvency of such entities could materially adversely affect the value of such client's assets.

**Loan origination or purchase of participation interests may expose BPA Funds to risk of losses resulting from default and foreclosure.**

Although BPA expects to cause BPA Funds to invest in Credit Investments that are directly or indirectly secured by collateral, BPA Funds may be exposed to losses resulting from default and foreclosure of any such Credit Investments in which they have invested. Therefore, the value of underlying collateral, the creditworthiness of borrowers and the priority of liens are each of significant importance in determining the value of client investments. No guarantee can be made regarding the adequacy of the protection of any BPA Fund's security in the Credit Investments in which they invest. Moreover, in the event of foreclosure or default, one or more BPA Funds may assume direct ownership of any assets collateralizing such defaulted Credit Investments where they are the lender of record. The liquidation proceeds upon the sale of such assets may not satisfy the entire outstanding balance of principal and interest on such Credit Investments, resulting in a loss. Any costs or delays involved in the effectuation of processing foreclosures or liquidation of the assets collateralizing such Credit Investments will further reduce proceeds associated therewith and, consequently, increase possible losses. In addition, no assurances can be made that borrowers or third parties will not assert claims in connection with foreclosure proceedings or otherwise, or that such claims will not interfere with the enforcement of client rights.

**A BPA Fund claims against a borrower may be subject to equitable subordination to other claims against the borrower.**

Under the laws of certain jurisdictions, a court may use its equitable powers to subordinate the claim of a lender to some or all of the other claims against the borrower under certain circumstances. To the extent the concept of equitable subordination was to apply to an originating lender of a loan in which a BPA Fund has acquired a participation interest, the BPA Fund could be adversely affected.

**Recharacterization of a claim under the Bankruptcy Code could adversely affect BPA Funds.**

Under the Bankruptcy Code, a court may use its equitable powers to "recharacterize" the claim of a lender, i.e., notwithstanding the characterization by the lender and borrower of a loan advance as a "debt," to find that the advance was in fact a contribution in exchange for equity. A BPA Fund's interest may be subject to claims from creditors of an obligor that debt obligations of such obligor held by the BPA Fund should be recharacterized. BPA Funds could be adversely affected whether they were the lender of record, or they acquired a participation interest in a loan that was subject to recharacterization.

Furthermore, even in SPE transactions structured in order to limit the likelihood of adverse determinations in bankruptcy proceedings instituted against prior owners in the chain of title to the related Underlying Receivables, the related Originator and relevant parent



entities, a party in interest (including the transferor) could assert that the transfer of such Underlying Receivables by the transferor to the SPE was not a sale, but rather should be recharacterized as the grant of a security interest in such Underlying Receivables to secure a borrowing by the transferor. If a bankruptcy court were to adopt such a position, then delays or reductions in payments on, or other losses with respect to, the related Credit Investment could result. In any such proceeding, claimants also may argue (and a court may determine) that the separateness of the SPE or another relevant entity should be disregarded and substantively consolidated with one or more parent entities. In such a case, the related Underlying Receivables may be treated as part of the bankruptcy estate or conservatorship or receivership estate of the prior owner or parent entity that is the subject of the applicable proceeding, including if conducted under the Bankruptcy Code, which would delay or reduce payments on the related Credit Investment.

**If a BPA Fund owns debt that is junior to other secured debt, such BPA Fund could lose the entire value of its investment in such debt.**

BPA Funds may purchase or invest in secured debt issued by companies that have or may incur additional debt that is senior to the secured debt owned by such BPA Funds. In many instances, loans made by BPA Funds may be part of a unitranche structure in which a single lien on behalf of all the lenders in the structure will be filed against the assets of the borrower(s) if the lenders holding the different tranches of debt (including one or more BPA Funds) will contractually agree to their respective priorities in those assets. In the event of insolvency, liquidation, dissolution, reorganization, or bankruptcy of any such company, the owners of senior secured debt (i.e., the owners of first priority liens), including in a unitranche structure through the contractual agreements between the lenders, generally will be entitled to receive proceeds from any realization of the secured collateral until they have been reimbursed. At such time, the owners of junior secured debt (including, in certain circumstances, one or more BPA Funds) will be entitled to indirectly receive proceeds from the realization of the collateral securing such debt. There can be no assurances that the proceeds, if any, from the sale of such collateral would be sufficient to satisfy the loan obligations secured by subordinate debt instruments. To the extent that one or more BPA Funds own secured debt that is junior to other secured debt, such BPA Fund(s) may lose the value of their entire investment in such secured debt.

**Changing interest rates and prepayment features may decrease the value of Credit Investments.**

BPA Funds may invest in fixed interest rate Credit Investments. The value of fixed interest rate Credit Investments generally has an inverse relationship with future interest rates. Accordingly, if interest rates rise, the value of such instruments may decline. In addition, to the extent that the assets underlying specific financial instruments may be prepaid without penalty or premium, the value of such financial instruments may be negatively affected by increasing prepayments. Such prepayments tend to occur more frequently as interest rates decline.

**BPA Funds may invest in special situations.**

BPA may recommend that one or more BPA Funds invest in (or lend to) companies involved in or undergoing workouts, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transformative transactions. Such investments may

include debtor-in-possession financing. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security with a value less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which our BPA Funds may invest, there is a potential risk of loss by a client of its entire investment in such companies.

**BPA Funds may invest in preferred stock and convertible instruments.**

BPA may recommend that BPA Funds invest in preferred stocks and convertible instruments. In the case of preferred stocks, holders are often entitled to receive fixed dividends from the issuer, and their claim on the issuer's income and assets ranks before that of holders of common stock, but after that of creditors. Investments may include convertible securities and warrants. Convertible securities are generally debt or preferred stock securities that may be converted at either a stated price or a stated ratio into underlying shares of common stock. Warrants are securities that permit their owners to purchase a specific number of stock shares at a predetermined price in the future. There are specific risks associated with preferred investments. An issuer typically may redeem its preferred securities at predetermined redemption prices. Any such redemption may negatively impact a client's performance if redemption proceeds from redeemed investments cannot be reinvested in securities paying comparable rates of return. Generally, holders of preferred investments have no or very limited voting rights with respect to the issuer. The holders may be negatively impacted if they have no input into the manner in which the issuer is conducting its business and the securities are illiquid, making it difficult for the holders to divest themselves of the securities. The dividends from a preferred investment could be non-cumulative, meaning that at any given time, the holder would only have a claim for the dividends of the immediate period, not past periods during which the issuer did not have sufficient earnings to pay dividends.

Preferred securities are typically subordinated to bonds and other debt instruments of the issuer and therefore are subject to greater credit risk than such securities, meaning that there is a risk that the investment will decline in price, or the issuer will fail to make a dividend or interest payment when due because of a degradation in its financial status. Preferred investments also are subject to interest rate risk.

A BPA Fund's portfolio of Investments may become concentrated and non-diversified.

The investment portfolio of a BPA Fund may include a small number of large positions. While this portfolio concentration may enhance total returns to such BPA Fund, if any large position has a material loss, then returns to such BPA Fund may be lower than if they had invested in a well-diversified portfolio.

**BPA Funds may invest in assets with no or limited performance or operating history.**

BPA Funds may invest in assets with no or limited investment history or performance record upon which BPA will be able to evaluate their likely performance. Such investments may comprise loans made to small businesses and newly formed "startup"

companies. Lending to small businesses and startups presents unique risks. Small businesses and startups generally have limited borrowing and operating histories, making it more difficult to assess their creditworthiness. In addition, small businesses and startups may have fewer assets available to use as collateral, leaving the lender with little recourse in the event of default on the loan. A BPA Fund's investments in entities with no or limited operating history are subject to all of the risks and uncertainties associated with a new business, including the risk that such entities will not achieve the returns which BPA is seeking to achieve given the term, risk, and liquidity of such investment. Consequently, a BPA Funds performance could be adversely affected.

**Historical loss experience may not accurately predict the likelihood of delinquencies, defaults, and losses on the Underlying Receivables.**

Any historical default and delinquency information provided by an Originator to BPA will be affected by several variables, including general economic conditions, the competitive environment and market interest rates, which are likely to differ in the future. There can be no assurance that the delinquency and default experience provided by an Originator (if any) will reflect actual experience with respect to the related Underlying Receivables after the applicable closing date.

**BPA Funds are exposed to fraud through the investments held in their portfolio.**

Investing involves the possibility of a BPA Fund's investments being subject to potential losses arising from material misrepresentation or omission on the part of borrowers and obligors whose investments such client holds, either directly or indirectly through Credit Investments, CLOs, or other structured investment vehicles. Investments may also be subject to fraudulent behavior by an Originator, a joint venture partner, manager, or other service provider. Such inaccuracy or incompleteness of representations or fraudulent behavior may adversely affect the valuation of client investments and, in the case of Credit Investments, may adversely affect the ability of the relevant investment to perfect or effectuate a lien on the collateral securing the loan. The quality of client investments is subject to the accuracy of representations made by the underlying issuers. BPA will rely upon the accuracy and completeness of representations made by borrowers, obligors, Originators, other counterparties, joint venture partners, managers and other service providers and cannot guarantee that we will detect occurrences of fraud. Under certain circumstances, payments by borrowers to BPA Funds may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential distribution.

**BPA may rely on data about certain investments provided by Originators or obtained from third party or publicly available sources, which it may be unable to separately verify, which could expose BPA Funds to risks if such data is incorrect.**

Originators and related borrowers supply a variety of information regarding asset, property and other collateral valuations, market data, their experience, personal identifying information, and other information. BPA will attempt to verify portions of this information, but as a practical matter, portions of the information may be incomplete, inaccurate, or intentionally false. Originators and related borrowers may also misrepresent their intentions for the use of loan proceeds. If a borrower supplies false, misleading, or inaccurate information, BPA Funds may lose all or a portion of their investment. With

respect to certain investments, a BPA Fund, and therefore its investors, may not have any contractual or other relationship with any borrower that would enable such client to make any claim against such borrower for fraud or breach of any representation or warranty in relation to any false, incomplete, or misleading information supplied by such borrower in relation to the relevant underlying investment.

**Our investment evaluation processes may be deficient.**

Prior to deciding to make an investment, we conduct certain due diligence, financial analysis, and evaluation of the related credit risks. Although we may verify some of the information we receive during the investment vetting process, some or substantially all of such information may be false, inaccurate, or incomplete. In addition, although we have designed our investment vetting process with a view towards assessing all material risks of the related investment, our process may be deficient and may fail to take into account all material risks. If we fail to adequately evaluate the risk, a BPA Fund, and therefore its investors, may lose some or all of its investment.

**BPA Funds may experience fluctuations in the receipt of proceeds, which could cause the amount of distributions to a BPA Fund, and therefore its investors, to fluctuate.**

BPA expects to experience fluctuations in the timing and amount of proceeds a BPA Fund may receive in the form of interest and fee income and in connection with the realization of investments in loans and other instruments in which such BAP Fund has invested. Such fluctuations are due to, among other things, changes in the interest rates payable on the debt instruments acquired by a BPA Fund, the default rate on such debt instruments, the level of a BPA Fund's expenses (including, if then applicable, the interest rates payable on a BPA Fund's borrowings), variations in and the timing of the realization of investments, the degree to which a client encounters competition in the markets and general economic conditions. As a result of these factors, the amounts of distributions to a BPA Fund and therefore its investors, may fluctuate substantially.

**BPA Funds may experience difficulties in disposing investments due to their illiquid nature.**

Each BPA Fund is expected to hold a significant portion of its investments or loans until maturity or earlier redemption and investments are expected to be illiquid. Should BPA determine it to be advisable to earlier dispose of any illiquid investments, investors in a BPA Fund will be subject to the limitations and restrictions applicable to withdrawals in such BPA Fund. Alternatively, a BPA Fund may only be able to sell such investments or loans at substantial discounts to face value. In certain circumstances, a BPA Fund may be prohibited by contract from selling investments for defined periods of time. Depending on the type of investment or loan held by a BPA Fund, such investments and loans may require a substantial period of time to liquidate. There can be no assurances that there will be a liquid market for resale of such investments or loans, and illiquidity may result from the absence of an established market for certain investments and loans as well as from legal or contractual restrictions.

## **BPA Funds face risks relating to the syndication and/or transfer of Credit Investments.**

A BPA Fund may in certain circumstances, indirectly purchase debt assets (including, participation interests or other indirect economic interests) with the intent of syndicating and/or otherwise transferring a significant portion thereof. In such instances, such BPA Fund will bear the risk of any decline in value prior to such syndication and/or other transfer. In addition, such client will also bear the risk of any inability to syndicate or otherwise transfer such assets or such amount thereof as originally intended, which could result in such client owning a greater interest therein than anticipated.

## **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, and increases the difficulty of modelling market conditions, potentially reducing the accuracy of financial projections. As of December 31, 2022, coronavirus is still spreading throughout the world with renewed outbreaks.

Other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses, including office buildings, retail stores and other commercial venues and could also result in a general economic decline. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of loan participation interests held by the various Funds, negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on each Fund's returns and the ability of BPA to source new investments.

In addition, in response to the spread of COVID-19, many businesses, including, BPA and its affiliates, have at times encouraged or mandated that their personnel work from home in an effort to help slow the spread of the coronavirus pandemic. Notwithstanding such precautionary measures, BPA and its affiliates may still experience a significant increase in illness of their respective personnel. To the extent personnel, as a result of working remotely, rely more heavily on external sources for information and technology systems for their business-related communications and information sharing, that business will likely be more vulnerable to cybersecurity incidents and cyberattacks and could have more difficulty resuming normal operations in the event it is the target of such incident or attack. See “**Cybersecurity**,” below.

No assurance can be given as to the effect of these events on the value of any of our Funds' investments. 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 each Fund to execute its strategy. This may slow the rate of future investments by one or more of our Funds and, in certain cases, result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon one or more investments held by one or more of the Funds.

## **Russia-Ukraine Conflict**

The current ongoing military conflict between Russia and the Ukraine has caused disruption to global financial systems, trade and transport, and to business worldwide. In response, many countries have announced sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. At this time, it is not possible to estimate the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of BPA, each of the Funds, or any particular industry, business or on any particular country.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to one or more of the Funds. Such impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of BPA to source, perform due diligence and execute new investments and to manage, finance and exit investments in the future for each of the Funds. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which BPA intends to pursue, all of which could adversely affect one or more of the Funds' ability to fulfill its investment objectives.

## **Inflation and Deflation**

Inflation risk is the risk that the value of certain investments or income thereon will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of a Fund's investments can decline. Deflation risk is the risk that prices decline over time – the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of any borrowers underlying a Fund's investments and may make defaults more likely, which may result in a decline in the value of one or more of the various Funds' investments.

In recent years, many nations, as well as inter-governmental institutions, have undertaken, in some cases may still be undertaking and/or may be considering various forms of fiscal stimulus measures, including setting interest rates that are at historic lows and undertaking, so called "quantitative easing." Such stimuli, unless successfully managed and scaled back at the appropriate time, may be inflationary. In addition, there is significant concern in macroeconomic terms about the levels of indebtedness carried by certain governments. While bringing with it a range of issues, one of the consequences of an extended period of a higher-than-desired level of inflation, is often to erode in real terms the value of government debt. This element of debt erosion may create an incentive for governments to be less robust in seeking to deal with inflation than might otherwise have been the case had the government concerned not suffered from a high level of indebtedness. If such inflation occurs it would have the negative consequences for one or more of the Funds set out above.

## **Cybersecurity**

The information and technology systems used by BPA, its affiliated Funds and their respective general partners, as well as those of BasePoint Capital, and each of the BP

Lenders may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. As noted above, with individuals working from home or otherwise outside of the main office, there is more potential vulnerability to each entity's systems through potential cyberattacks made on these remote home-office locations, which may not be as robust as that of the main office. Although each has implemented, and intends to further monitor, and implement various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, each may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in their respective operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including, with respect to each Fund, personal information relating to investors (and the beneficial owners of Fund investors). Such a failure could harm each of them and/or its reputation, as well as subject each such entity and its respective affiliates, to legal claims or otherwise affect their respective businesses and financial performance.

### **Banking Risks**

Cash deposits which exceed \$250,000 are not protected from loss by the FDIC or any other separate insurance provider. Although the U.S. Treasury, the FDIC and the Federal Reserve recently acted quickly to protect the depositors of Silicon Valley Bank and Signature Bank, N.A. from loss of their funds that exceeded the FDIC limit, no assurances can be given that such federal, state or other authorities would do the same if any of the banks used by a BP Lender, other lender, BPA or a Fund were to experience a similar run of withdrawals made by depositors. While BPA and each Fund believe that their banks are currently sound and the cash balances that each has on hand is not unduly exposed, no assurances can be given that this will always be the case.

### **Originators and servicing agents are subject to ongoing risks of litigation, including individual and class actions under consumer credit, collections, employment, securities, and other laws.**

Originators and servicing agents operate in an extremely litigious climate and may be named as defendants in litigation, including individual and class actions under consumer credit, collections, employment, securities, and other laws, either directly or under theories of principal agency or vicarious liability giving rise to expenses and/or a duty to return sums paid pursuant to a court order, judgment, settlement, or for any other reason.

### **The Underlying Receivables are subject to risks of servicing and collection.**

The servicing of the Underlying Receivables requires special skill and diligence. Any failure of the servicing agent to adequately service the Receivables may result in a higher default rate and losses from such Underlying Receivables, which in turn, may impair the ability of an Originator or SPE to repay the related Credit Investment in full and cause a BPA Fund to experience a loss. If the servicing agent is terminated, servicing of the Underlying Receivables is expected to be transferred to a backup servicer or other successor servicer. During and immediately following a servicing transfer, interruptions

in servicing may occur and the Underlying Receivables may suffer a higher default rate and losses, which in turn, may cause a BPA Fund to experience a reduced yield and could cause a BPA Fund to experience a loss of some or all of its investment. In addition, any backup servicer may have limited experience in servicing assets such as the Underlying Receivables and as a result, its overall collection performance may not be as favorable as the collection performance of the initial servicing agent. Furthermore, the subject BP Lender or its authorized representative may have difficulty finding a suitable successor servicer. Potential successor servicers may not have the capacity to adequately perform the duties required of a successor servicer or may not be willing to perform those duties for the servicing fee currently payable under the servicing agreement.

#### **Effect of obligor bankruptcies.**

Certain of the Underlying Receivables have obligors that have in the past sought, and additional obligors of such receivables may in the future seek, protection under federal or state bankruptcy or other debtor relief laws. If the servicing agent receives notice that an obligor has filed for protection under the federal bankruptcy laws, or has become the subject of an involuntary bankruptcy petition, the servicing agent generally will terminate any automatic monthly ACH debits on the related receivable and generally will cease collection activity without bankruptcy court approval. Whether any payment will ultimately be made or received on a receivable after a bankruptcy status is declared depends on the related obligor's particular financial situation. In addition, if an obligor sought protection under federal or state bankruptcy or other insolvency laws, a court could reduce, restructure or discharge completely such obligor's obligations to make payments due on its receivable. As a result, all or a portion of such Underlying Credit Asset would be written off as uncollectible. A Credit Investment could suffer a loss if insufficient funds are available from excess spread or other sources to cover losses on related consumer receivables caused by underlying obligor bankruptcies.

#### **Usury laws may affect the Underlying Receivables.**

Certain states where Underlying Receivables are originated or serviced have usury laws in place that limit the maximum interest rate of a consumer or commercial loan. At times, these laws may effectively affect payments by preventing the recovery of certain payment amounts. Further, usury laws may be subject to change at the hands of state legislators. If Underlying Receivables were found to violate state usury laws, not only would the related Credit Investment not receive the anticipated full value of its loan investment, but BPA Funds could be subject to fines and other penalties if such BPA Fund was the lender of record.

In addition, certain Credit Investments may constitute or be secured by Underlying Receivables that are or are interests in loans originated by a state-chartered bank (an "**Originating Bank**"), where the Originating Bank contracts for interest, origination fees, late fees and returned check fees based on federal law, Section 27 of the Federal Deposit Insurance Act. Section 27 allows an FDIC-insured bank such as the Originating Bank to charge interest to borrowers on a nationwide basis based on the rates allowed by the state where the bank is located. Section 27 preempts inconsistent state law limitations. However, there have been both private litigation and enforcement actions seeking to recharacterize a lending transaction, claiming that the named lender was not the true lender,



and that instead another entity was the true lender. Since that other entity was not an FDIC-insured bank or a national bank that has federal interest rate preemption, then state law limitations would not be preempted. Other litigation has challenged the ability of loan assignees to rely on the preemption that applied to the lender of a loan. Any such litigation or enforcement action with respect to an Underlying Receivable against the related SPE, Originator, prior owners or subsequent transferees of the Underlying Receivables, recipients of proceeds from collections on such Underlying Receivables (including the Client), the servicing agent and certain other parties, could subject them to claims for damages, disgorgement or other penalties or remedies.

In addition to the litigation referenced above, several other lawsuits and regulatory actions have brought under scrutiny the association between high-interest loan marketers and bank lenders. It is possible that similar litigation or regulatory actions undertaken in the future by obligors or regulatory authorities may have success in challenging an Originating Bank's status as an Underlying Receivable's true lender, and in such instances, the related Originator, SPE or other prior owners of the Underlying Receivables may be recharacterized by a court or a regulatory agency to be an Underlying Receivable's lender and therefore obligated to comply with state lender licensing requirements, state usury laws, which limit the interest rates that can be charged on the Underlying Receivables, and other consumer protection requirements. Generally, SPEs and certain prior owners of Underlying Receivables that previously acquired such Underlying Receivables in a series of transactions from the Originating Bank do not hold such licenses in each relevant jurisdiction. If an Originator, SPE or any other prior unlicensed owners of such Underlying Receivables were recharacterized as the lender of the Receivables, such a recharacterization could render such Underlying Receivables void or voidable, unenforceable, or subject to rescission or reduction of the interest or principal (previously paid since origination or to be paid) in whole or in part or subject to damages or penalties. In addition, such entity could be subject to claims and/or defenses by an obligor, or a group of similarly situated obligors, or claims for damages, disgorgement, or enforcement actions by regulatory authorities.

**Information supplied by obligors on Underlying Receivables may be incomplete, inaccurate, or intentionally false.**

Obligors, in connection with applying for the Underlying Receivables, supply a variety of personal financial information. Information provided by the obligors may be incomplete, inaccurate, or intentionally false. Although some information may be verified, no assurance can be made that such verification process is adequate to detect instances of fraud. If an applicant supplied false, misleading, or inaccurate information, repayments on the corresponding Underlying Receivable may be lower, in some cases significantly lower, than expected, and BPA Funds may suffer a loss as a result.

**Obligors may have competing indebtedness that could reduce or restrict their ability or willingness to repay their Underlying Receivable.**

The obligor of an Underlying Receivable is likely to have preexisting indebtedness and may choose to make payments to its creditors, rather than satisfy its financial obligations on such Underlying Receivable. To the extent that the obligor's other indebtedness is secured, such as mortgage, home equity or auto loans, full repayment of such Underlying

Receivable may be impaired, as the obligor is likely to pay its secured creditors before repaying the unsecured Underlying Receivable in an effort to avoid repossession or foreclosure.

**There are risks in the combination or “layering” of multiple risk factors.**

Although the various risks discussed above are generally described separately, prospective investors in a BPA Fund should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to an investor in such BPA Fund may be significantly increased.

## **Item 9: Disciplinary Information**

BPA and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s evaluation of BPA or its personnel.

## **Item 10: Other Financial Industry Activities and Affiliations**

BPA and certain of its management persons, including Angela L. Kay, BPA’s President and Eric J. Schneider, BPA’s CEO and CIO, are also executive officers of BasePoint Capital, the entity that employs, and provides benefits for, the vast majority of the officers, directors, and other shared personnel of BasePoint Capital affiliates, including BPA. As discussed above, BasePoint Capital, an affiliate of BPA, is a commercial service provider which organizes separate segregated subsidiaries as BP Lenders, typically formed as limited liability companies or as a statutory series of a Delaware statutory trust, which ultimately provide debt and equity financing solutions to [originators and specialty finance companies in the consumer finance, small business, and fintech space](#).

BP Lenders typically syndicate a portion of their funding obligations through the sale of limited recourse loan participation interests to third parties. These participation interests are not offered to the public as an investment vehicle, rather they are made available on a confidential basis only to sophisticated banks, insurance companies, funds and other institutions, family offices and high net worth individuals. BPA is now making these opportunities available to prospective BPA Funds.

As previously noted in Item 4 of this Brochure under “*Advisory Business*”, BPA affiliates will also serve as general partners of BPA Funds. These general partners are managed and controlled by Mr. Schneider. Additionally, seventy-five percent of BPA’s future investment management profits (if any) will be directed to a BPA- employee profits interest vehicle controlled by Mr. Schneider. Mr. Schneider and Ms. Kay are also limited partners in at least one BPA Fund.

As a result of their respective roles, both Mr. Schneider and/or Ms. Kay are in positions where they have potential conflicts of interest arising from sourcing loans and loan participations from BP Lenders. In addition, Mr. Schneider and Ms. Kay, through their respective management and control of each General Partner for each BPA Fund, and their economic interests in a management profits vehicle (i.e., FPMLP, as described in Item 4 of this Brochure under “*Advisory Business*”) which may receive seventy-five percent (75%) of BPA’s future investment management profits, places them (as well as BPA and the General Partner), with a potentially different set of incentives than that of the underlying

BPA Funds, as there is the potential for each to receive more compensation from investments in loans and loan participations that may pay greater interest, but have more risk than other loans and loan participations that may be otherwise available.

In addition, in at least one instance, Mr. Schneider and Ms. Kay each has a personal stake directly and/or indirectly as a limited partner in at least one of the BPA Funds.

Mr. Schneider and Ms. Kay will do their best, on behalf of each BPA Fund, to allocate loan and loan participation opportunities made available to BPA fairly to each of the appropriate BPA Funds. To the extent that a specific BP Lender has a loan or loan participation opportunity that may be available to more than one BPA Fund, BPA has set up protocols to further deal with conflicts that arise from these specific transactions, some of which are covered below and in Item 11 of this Brochure entitled “*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.*”

Investors in BPA Funds should be aware that each BP Lender may earn an origination fee from each borrower in connection with each loan and a separate administration/service fee from each participating lender, which may be used by the BP Lender, in its discretion, to pay a BPA affiliate and/or a third-party provider, to provide servicing of the subject loan from the borrower and ongoing remittance of the applicable loan principal and/or interest payments to participating lenders, including one or more BPA Funds. A BP Lender may retain its origination fee and the spread between what is paid by the borrower and the agreed-upon interest rate to be paid to the other lenders or loan participants (i.e., the Residual Interest), including one or more BPA Funds, on a *pari passu* basis with that of the other lenders or loan participants in the related tranche of a loan, which ultimately could reduce the return to each BPA Fund. The amount of this spread (or Residual Interest) varies on each lending transaction and is negotiated by the management of the BP Lender with each participating lender. In certain circumstances, other BPA Funds may enter into a customized Fund arrangement with BPA which could involve other customized loan portfolios, syndication and credit enhancement features which will not be available to all BPA Funds.

BPA’s affiliates currently engage, and will continue to engage, in a broad range of financing activities, including, without limitation, providing financing and other services to companies operating in the market for consumer lending and commercial lending. BasePoint Capital or another affiliate is appointed as the “Representative” (see Item 15 of this Brochure entitled “*Custody,*” for a further description of the same) for each BP Lender, and currently acts (and will in future act) as the Representative for other affiliated lending entities established to provide credit to such companies (which may include the subject borrower and competitors of the borrower). In the ordinary course of conducting such lending activities, the interests of BasePoint Capital, the subject BP Lender, and other affiliates thereof, may conflict with the interests of a loan participant, including one or more BPA Funds, which then has an interest in a loan or loan participation.

For example, the BP Lender or another affiliate, may extend credit or have other business relationships with (or interests in) the subject borrower or the borrower’s affiliates and the related loan or loan participation. As noted above, a BP Lender or other affiliate of BPA, may hold equity in the subject borrower or its affiliates, or may hold an earnout right or other contingent interest in the related Underlying Receivables. Similarly, a BP Lender or

other affiliate may have a senior or subordinated interest in the same loan, in a mezzanine or subordinate loan extended to the subject borrower as part of the overall financing transaction, or in any other debt or equity instrument representing an economic interest in the Underlying Receivables related to the loan or loan participation Interest. These other interests held by affiliates of BPA may conflict with a BPA Fund's interests with respect to the BP Lender originated loan or loan participation interest. To the extent that the interests of the BP Lender or its affiliates, and the interests of a BPA Fund in the subject loan or loan participation interest diverge, the decisions taken by the BP Lender or an affiliate may be viewed as more favorable to the interests held by such BP Lender or its affiliate, and less favorable to the interests of the BPA Fund loan participant.

Investors in a BPA Fund need to be aware that each BP Lender generally has the sole and exclusive authority to administer or contract for the administration of the subject loan in accordance with any applicable standard set forth in the loan participation interest (which may be subject to consent or consultation rights of certain participants, including one or more other BPA Funds). These discretionary decisions by the subject BP Lender could adversely affect the value of one or more BPA Fund's loan participation interests and may differ from those that may have been taken by the specific BPA Fund if it had such rights to consent to the same. For example, questions may arise as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce or defend claims which give rise to reimbursable expenses, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, raise conflicts of interest. While BPA believes that the appointed Representative, on behalf of the subject BP Lender, and other affiliates of the BP Lender which may have stake therein, will deal with all conflicts of interest using its and their best business judgment, investors in BPA Funds are advised that these decisions rest in their sole discretion.

Furthermore, the interests of each BP Lender may not always be aligned with the interests of all loan participants, including those of a BPA Fund, and may cause or lead to potential conflicts of interest. For example, the subject BP Lender is authorized to determine, in its sole discretion, whether to advance additional funds in a renewal financing to the borrower. If that occurs and the BPA Fund, which is an existing participant in the subject loan, does not purchase an additional participation interest in such renewal financing, then the payments due to such BPA Fund under its existing participation interest could be reduced, in which case the length of time to earn the full expected return of the BPA Fund's capital may be extended.

Investors in BPA Funds should be further aware that the subject BP Lender may grant one or more participants in the subject loan (which may include both non-BPA Funds and BPA Funds) specified consultation, consent and control rights that prohibit the subject BP Lender from waiving certain defaults and events of default and their consequences unless such participant agrees. Such rights may also contractually require that the BP Lender exercise the rights, remedies and powers provided for under the subject loan and related transaction documents if an event of default has occurred and is continuing. The exercise of these rights by other participants may conflict with one or more BPA Fund's interests in the subject loan, and an investor in such BPA Fund may find that courses of action

determined by a controlling participant do not reflect a BPA Fund's interests, but that such BPA Fund is nonetheless bound by the decisions of such other participant. For example, any such decision to exercise foreclosure and sale rights on the collateral could result in a shortfall in amounts available to repay the loan in full, which could result in a loss of the BPA Fund's capital. No assurance can be given that the interests of any participant holding such consent and control rights will align with the interests of any specific BPA Fund, let alone any investor in such BPA Fund.

To address these inherent conflicts of interest, as discussed above and in Item 11 of this Brochure below entitled "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*", each BPA Funds which may participate in one of these BP Lender originated loans, is given the right to consent or withhold approval to participate in each of these BP Lender originated loans prior to making an investment therein. BP Lenders generally retain responsibility for servicing any loans they originate through their respective life cycles, including decisions by such BP Lender as to whether payment obligations and covenants should be enforced, modified, or waived, or if debt should be refinanced. Accordingly, investors in each BPA Fund are advised that in granting such consent to participate/invest in one or more of such BP Lender originated loans, such investors are also consenting to any one or more future discretionary decisions by BP Lenders involving the administration or contract for administration of the subject loan. Any one or more of such decisions could be adverse to the interests of a BPA Fund.

Prospective investors in BPA Funds should also be aware that Mr. Schneider, in addition to his roles with BPA, BasePoint Capital, and the general partners of each BPA Fund, and as a participant in an employee profits vehicle (*i.e.*, FPMLP) which may receive seventy-five percent (75%) of future BPA investment management profits (if any), also controls an entity that is a limited partner of a BPA Fund Client, and is a member of the Board of Directors, Chief Investment Officer, Chairman of the Investment Committee of AVI, the ultimate parent of BPA. While Mr. Schneider is directly involved in certain of the investment decisions on behalf of AVI and its subsidiaries, he does not have the unilateral authority on behalf of AVI, to cause AVI or any of its other subsidiaries to acquire, hold or sell any of the Residual Interests that may be available from a BPA Lender. In addition, to her executive officer and management position with BPA, Ms. Kay is the Global Head of Capital Markets for BasePoint Capital where she oversees business development, capital formation and institutional financing and counterparty relationships with respect to the BP Lenders. Prospective investors in BPA Funds should also be aware that Ms. Kay, in addition to her roles with BPA, BasePoint Capital, and the general partners of each BPA Fund, and as a participant in an employee profits vehicle (*i.e.*, FPMLP) which may receive seventy-five percent (75%) of future BPA investment management profits (if any), also controls an entity that is a limited partner of at least one BPA Fund.

In those circumstances in which the subject investment opportunity is with a BP Lender (e.g. an acquisition or participation in a loan originated by one or more affiliates of BPA), and therefore is deemed to be a principal transaction between BPA's affiliate (*i.e.*, a BP Lender) and the BPA Fund, BPA has adopted policies and procedures to ensure that these related-party transactions are affected subject to applicable law and the relevant BPA Fund governing documents. BPA will only permit such related-party transactions (or

recommend) when it believes in good faith that such transactions are in the best interests of the relevant BPA Fund.

BPA will, to the extent required by applicable law or the relevant governing documents, obtain the prior consent of a BPA Fund for such transactions. Underlying investors should note that the governing documents for a Fund may authorize one or more representatives on behalf of the investors to provide or withhold such consent on behalf of such investors.

Also, *see* Item 11 of this Brochure entitled “*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*” below, which further describes how BPA will be dealing with the foregoing conflicts which may be considered “principal transactions” between a BP Lender and BPA Funds under the Advisers Act.

Additionally, BPA utilizes a valuation policy designed to ensure that BPA Fund investments are fairly valued pursuant to a standardized, consistent, and verifiable methodology. To that end, BPA has established a valuation committee (the “**Valuation Committee**”) whose purpose is to ensure that all transactions are priced appropriately and to consult with the independent third-party valuation firm engaged by BPA. BPA’s Valuation Committee is comprised of BPA’s executive officers and an internal accounting representative. The BPA Valuation Committee meets quarterly.

Moreover, BasePoint Capital’s Credit, Accounting, and Operations Teams collect pricing data for loan interests held by each BPA Fund. BPA then provides this data to the independent third-party valuation firm it engages for pricing of each BPA Fund’s assets. For BP Lender originated loans, BasePoint Capital and BPA rely wholly on the third-party valuation firm’s independent pricing.

Potential investors are advised that other affiliates of BPA may provide specific administrative support services to BPA Funds, including servicing of any of the loans and loan participations and other assets that a BPA Fund may enter into or otherwise hold for investment purposes.

As discussed above, these material relationships and associations that Mr. Schneider and Ms. Kay maintain with BPA and its affiliates create potential conflicts of interests as Mr. Schneider and/or Ms. Kay may take actions, give advice and/or have interests as part of these other relationships or associations which may differ from, conflict with or be adverse to advice and actions given and/or taken on behalf of one or more BPA Funds. These actions, advice or interests could adversely impact investments held by or potentially considered for investment by, one or more BPA Funds. As executive officers and managers of BPA, Mr. Schneider and Ms. Kay are each accountable to each BPA Fund as fiduciaries and, consequently, must exercise good faith and integrity in managing BPA Funds’ investments and in resolving questions involving potential and actual conflicts of interest. Each will therefore endeavor to fulfill his and her responsibilities to each BPA Fund in a manner fully consistent with his and her respective fiduciary obligations. As also indicated above, BPA has established policies and procedures to monitor and resolve conflicts in a manner it deems fair and equitable.

As noted throughout this Brochure, investment opportunities may be appropriate for multiple BPA Funds at the same, different, or overlapping levels, and in other times, those BPA Funds with a customized portfolio may request further customized loan portfolios,

syndication agreements and credit enhancement arrangements which will differ in material respects from those offered to other BPA Funds and/or other lenders, and are not made available to all other BPA Funds. Conflicts may arise in determining the terms of each such investment, particularly where certain BPA Funds are intended to invest in the same loans and/or other investments. As noted above, the BP Lenders generally retain responsibility for servicing any loans they originate through their respective life cycles, including decisions by such BP Lender as to whether payment obligations and covenants should be enforced, modified, or waived, or if debt should be refinanced. Questions may arise during the life cycle of a loan as to whether payment obligations and covenants should be enforced, modified, or waived related to a specific loan or loan participation then held by multiple BPA Funds, or whether debt should be refinanced or restructured with respect to the commonly held loan or loan participation. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly with respect to each BPA Fund that hold the same loans or loan participations. BPA's management will endeavor to act in the best interests of each BPA Fund when faced with these conflict situations, and, as noted above, if such loan participation agreements are with a BP Lender, subject to applicable law and the relevant governing documents, may be subject to the prior consent of each such BPA Fund at the time of making such investment. Investors in a BPA Fund are therefore advised that in granting such consent, such investors are also consenting to any one or more future decisions involving the administration and/or management of a particular BP Lender loan. To address each of these potential conflicts, BPA has protocols in place to address the same on what it believes to be a fair and equitable basis.

Neither BPA nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or as an associated person of any of the foregoing entities.

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

BPA has adopted a written code of ethics that is applicable to all of its covered persons. Among other things, the code requires BPA and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on certain types of personal securities transactions. BPA's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of BPA's code of ethics will be available upon request by contacting BPA's Chief Compliance Officer at 212-634-9900.

Under certain circumstances an employee might invest in a security that is not considered suitable for a particular BPA Fund because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for other BPA Funds, but the Chief Compliance Officer might not allow the security to be purchased for one or more other BPA Fund accounts to avoid even the appearance of employees trading ahead of Clients. In BPA's experience, it is rare for an employee's personal trading to limit any BPA Fund's investment opportunities, but such a situation may arise from time to time.

Section 206(3) of the Advisers Act places restrictions on the ability of an investment adviser to engage in principal transactions with its advisory clients. The primary purpose for this restriction is to prevent an adviser (such as BPA) from transferring unwanted investments to a client account. A principal transaction occurs when an investment adviser, acting for its own account (or the account of an affiliate) sells an investment to, or buys an investment from, a client account. For instance, a principal transaction will arise when a BP Lender, which is an affiliate of BPA, sells a proprietary position it has in a loan or loan participation directly to a BPA Fund, or when an affiliate of BPA has an equity interest in a subject borrower which is the subject of a loan or loan participation that is made available to one or more BPA Funds.

BPA has adopted policies and procedures to ensure that these principal transactions are affected subject to applicable law and the relevant governing documents. BPA will only permit such principal transactions (or recommend them for approval) when it believes in good faith that such transactions are in the best interests of the relevant BPA Fund.

BPA will, to the extent required by applicable law or the relevant governing documents, obtain the prior consent of a BPA Fund for such transactions. Underlying investors should note that the governing documents for a BPA Fund may authorize one or more representatives on behalf of such investors to provide or withhold such consent on behalf of all non-BPA investors in the Fund.

As discussed in Item 10 of this Brochure entitled “*Other Financial Industry Activities and Affiliations*” and below, BPA has a robust system in place to address these conflicts of interest, including providing for obtaining the consent of each BPA Fund, or, in certain circumstances, the investors in a BPA Fund prior to completion of any such transaction. Accordingly, prospective investors are advised that in granting such consent to participate/invest in one or more such BP Lender originated loans, such investors are also consenting to any one or more future discretionary decisions by BP Lenders involving the administration or contract for administration of the subject loan, including decisions as to whether payment obligations and covenants should be enforced, modified, or waived, or if debt should be refinanced. Any one or more of such decisions could be adverse to the interests of a BPA Fund.

As discussed in Item 6 of this Brochure entitled “*Performance Based Fees and Side-by-Side Management*” above, although one or more of the BP Lenders, which are affiliates of BPA, are expected to originate many of the loans that may be offered to BPA as an investment option for BPA Funds, the applicable BP Lender or an affiliate may retain the Residual Interest for itself, AVI, its ultimate parent, or other subsidiaries thereof or offer it for sale to others. The non-Residual Interests in loans and loan participations which are offered by a BP Lender are expected to be made available to both unrelated third-party participants who or which are not affiliates of AVI or the BP Lender, and generally to similarly situated BPA Funds on substantially the same terms and conditions, except if a loan participation is customized for a particular BPA Fund. Except for customized loan portfolios, syndication and credit enhancement arrangements established for a BPA Fund, it is BPA’s policy to ensure that there is at least one unaffiliated third-party participant in any of the loans and loan participations that a BP Lender makes available to all BPA Funds. Accordingly, except for Residual Interests, which may be offered to AVI or its other subsidiaries or third parties, and customized loan portfolios, syndication and credit



enhancement arrangements made for a customized BPA Fund as discussed above, every other similarly situated BPA Fund generally will be afforded substantially the same terms and conditions as will be offered to third-party, unrelated participants in such financings. Notwithstanding these conflicts of interest, BPA believes that it will be able to treat fairly each of its BPA Funds that may be involved in such principal transactions involving a BP Lender.

In addition to these protocols, if BPA's management (*i.e.*, its President, Chief Executive Officer and Chief Investment Officer), believes that a particular principal transaction may be appropriate for one or more BPA Funds, they must first determine that such transaction(s) is/are in the best interests of each of the respective proposed BPA Fund(s), and otherwise approve each such transaction prior to its execution. Any principal transaction must be executed at the then fair value and be otherwise consistent with each BPA Fund's stated investment objectives, guidelines, limitations and restrictions, and investment requirements. Except for customized loan portfolios, syndication and credit enhancement arrangements made available to a specific customized BPA Fund, the balance of the subject loan or loan participations of the specific BP Lender will be generally offered on substantially the same terms and conditions to any other BPA Fund as the BP Lender may offer to any other similarly situated third-party lender or loan participant.

As discussed in Item 10 of this Brochure "*Other Financial Industry Activities and Affiliations*" above, conflicts arise in connection with how to proceed in those situations where there has been a default or breach by an underlying borrower with respect to a loan or loan participation held by multiple BPA Funds, including whether specific payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced or restructured. This issue is exacerbated when decisions have to be made to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring. BPA's management has protocols in place to address the potential conflicts which arise in these circumstances on what it believes to be a fair and equitable basis.

It should also be noted that in connection with each BPA Fund, BPA shall not be obligated to present any particular investment opportunity to any particular BPA Fund, even if such opportunity is of a character which, if presented to a particular BPA Fund could be taken by such BPA Fund, and BPA shall have the right, consistent with its fiduciary duty and its internal trade allocation policy, to take for the account of any of its Clients, any such particular investment opportunity. BPA may take action in connection with providing services to other BPA Funds or their own accounts that differs from the action taken with respect to one or more BPA Funds, even though one or more BPA Funds may be similarly situated. Notwithstanding the foregoing, prior to taking any investment opportunities for themselves, BPA shall, in good faith, seek to allocate appropriate investment opportunities among BPA Funds in an equitable manner, taking into account such factors as, but not limited to, whether the relative amounts of capital available for new investments by each BPA Fund, the applicable investment programs and portfolio positions of the relevant BPA Funds and such other factors as BPA may deem appropriate and reasonable from time to time.

Please also see Item 6 of this Brochure entitled "*Performance Based Fees and Side-by-Side Management*" above for a description of other potential conflicts of interest, including

those which arise from Performance Fees payable to the general partner affiliate of BPA as provided under the applicable governing documents for each of the BPA Funds.

## **Item 12: Brokerage Practices**

Given BPA's focus on private credit and specialty finance assets, BPA does not typically invest in publicly traded securities and transact through broker-dealers. BPA seeks to acquire interests in assets for the BPA Funds through originators and service partners.

## **Item 13: Review of Accounts**

The investments made by Clients are generally private, illiquid, and long-term in nature. BPA expects to perform periodic reviews of each BPA Fund investments, on no-less than on a monthly basis. Where payments are due on an underlying BPA Fund investment, such as principal and interest payments by a borrower in loan or loan participation held by a BPA Fund, BPA will seek to review the weekly and/or monthly remittance/loan activity reports provided by the Administrator and/or Representative as part of its account review process.

BPA has established a portfolio review committee (the "**Portfolio Review Committee**"), which is comprised of BPA's executive officers, which meets bi-weekly and consults directly with BasePoint Capital teams, including those which deal with data, analytics, credit, and operations.

Additionally, as discussed above under Item 10, entitled "Other Financial Industry Activities and Affiliations," BPA's Valuation Committee has been established to review, on a quarterly basis, all transactions that were effected during the preceding quarter to ensure that they were priced appropriately.

BPA Fund investors should expect to receive quarterly and annual account statements and in some instances, monthly statements. In addition, it is anticipated that each BPA Fund will be audited annually by an independent public accounting firm which is registered with, and subject to, inspection by the Public Company Accounting Oversight Board ("**PCAOB**"). It is anticipated that such annual audited financial statements will be distributed to each BPA Fund's investors within 120 days following the fiscal year end of such BPA Fund.

Additional reviews of BPA Fund accounts, investments, loans, and loan participations held therein, may be triggered by a particular borrower's default of making any interest or principal payment when due following the passing of any applicable grace period, or pattern of late paying, or any suspicious or unusual or special circumstances with respect to any other asset or investment held in such BPA Fund's account.

## **Item 14: Client Referrals and Other Compensation**

BPA does not directly or indirectly receive any compensation from anyone other than its BPA Funds for providing investment advice to BPA Funds. Neither BPA nor any related person directly or indirectly compensates any person who is not one of its supervised persons for referrals of any investors to any BPA Fund.

## Item 15: Custody

BPA does not directly take custody of client funds or securities. All BPA Fund accounts will be maintained at custodians, such as banks or broker-dealers which meet the definition of a “qualified custodian” (each a “**Qualified Custodian**”) under Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”) and which are generally chosen by BPA or, in the case of loans or loan participations originated by a specific BP Lender, by the “Administrator” (as hereinafter defined) of the subject loan or loan participation (as discussed below).

As discussed above, BPA intends to acquire for its BPA Funds interests in loans and loan participations which are originated by or extended to a discrete transaction-specific BP Lender, generally, in the form of a statutory series of a legal trust, or a separate legal entity, such as a limited liability company.

Each BP Lender is generally limited to one particular loan with a single borrower (although it could involve an affiliate thereof as well). Each such arrangement is hereinafter referred to as a “**Loan Syndicate**.” An affiliate of BPA is duly appointed as the representative (the “**Representative**”) of the specific BP Lender under the terms of each credit agreement, which represents the specific loan arrangement with the subject borrower. The participants in each Loan Syndicate (the “**Loan Syndicate Participants**”) generally include affiliates of the BP Lender, including the specific BP Lender organized for the specific purpose of making such loan to the borrower, other affiliates, BPA Funds, and other bank and non-bank lenders.

Each BP Lender is authorized, pursuant to its constitutive documents, the related credit agreement or participation agreement, as the case may be, to function as or appoint a representative (which may be a third-party or an affiliate of BPA, the “**Representative**”) to act on behalf of the Loan Syndicate Participants. The Representative will appoint a third-party as the administrative agent (the “**Administrator**”) to follow the instructions of the Representative in accordance with the specific guidelines or formulas regarding the movement of cash to and from the applicable lender(s) or loan syndicate participants, and the borrower, as applicable, under the terms of the particular Loan Syndicate (*e.g.*, the collection of loan proceeds from lender(s) or loan participants, as applicable, and their disbursement to the borrower, as well as the use and distribution of payments received from the borrower to the lender(s) and Loan Syndicate Participants). Accordingly, the Representative and the Administrator each applies the specific terms of each credit agreement and assignment or participation therein for the specific Loan Syndicate Participant which governs how the cash is used, allocated or disbursed. Once the Representative delivers these instructions to the third-party Administrator, the Representative (which is a BPA affiliate) will effectively relinquish to the Administrator, authority for movement over monies in the Segregated Loan Account. To the extent situations arise necessitating a change to these instructions, the Administrator’s policies for change involving flow of funds will be triggered, and once such replacement instructions are duly adopted, the Representative will thereafter again relinquish authority for movement over monies in the Segregated Loan Account. It is important for investors in BPA Funds to be aware that given the nature of the commercial lending business, changes and decisions may need to be made to a particular loan with a borrower, and sometimes Loan Syndicate Participants may be substituted. These rights are retained by, or conferred

to, the Representative, on behalf of the Loan Syndicate Participants in the related credit agreement or participation agreement, as applicable.

As to each credit facility, the Representative directs the Administrator to establish a single segregated bank account for the specific Loan Syndicate with an independent U.S. bank that meets the definition of a Qualified Custodian (each a “**Segregated Loan Account**”). As noted above, an independent Administrator administers each Segregated Loan Account. As described above, this arrangement facilitates the movement of cash to and from the lender(s) or loan participants, as applicable, and the borrower, for the subject Loan Syndicate. To be clear, the funds related to the subject Loan Syndicate are not held in separate accounts or sub-accounts for each Loan Syndicate Participant, or under the Loan Syndicate Participant’s name. Rather, they are commingled in a specific Segregated Loan Account, but each Segregated Loan Account is limited to its specific Loan Syndicate. While the Administrator will not send a complete account statement of the Segregated Loan Account to each Fund investor, BPA will make arrangements with the Representative to direct the Administrator to send each BPA Fund which is a Loan Syndicate Participant, the status of its then specific interest in the subject Loan Syndicate and the portion and composition of cash paid and received (including, the ratable share of collections from the subject borrower).

Under the Custody Rule, an adviser is deemed to have “custody” of client assets if it (or an affiliate in connection with the adviser’s advisory services) holds, directly or indirectly, or has the authority to obtain possession of, client funds or securities. Although none of BPA, any BP Lender, the Representative or any other affiliate of the foregoing, nor any of their employees (collectively, the “**Related Parties**”) is a signatory on any of the Segregated Loan Accounts, and cannot, on its own, access the funds in the Segregated Loan Accounts, the Representative does retain the right under each loan credit agreement to remove the Administrator, revoke or restrict its authority to act on behalf of the specific Segregated Loan Account, and otherwise gain access to the Segregated Loan Account. In addition, although none of the Related Parties has any authority to determine how the cash is used, allocated or disbursed, the Representative could cause the withdrawal or disbursement of cash held in any Segregated Loan Account for reasons unrelated to the specific Loan Syndicate, although such action is contractually prohibited under the relevant agreement governing the authorized activities of the Representative.

Further, as discussed above and below, under the Custody Rule BPA is also deemed to have custody of the assets of the BPA Funds for which its affiliate(s) may serve as the general partner(s) or managing member(s) thereof, as applicable, and BPA may have the authority under its investment management agreement with the subject BPA Fund and any corollary authority established with the custodian for the BPA Fund, to disburse its management and/or performance fee(s) from the account of such BPA Fund to that of BPA.

Nevertheless, in all instances, BPA must comply with the fundamental principles of the Custody Rule. In particular, Rule 206(4) -2 (a)(1) under the Advisers Act provides that client funds and securities must be maintained with a Qualified Custodian in a separate account for each client under the client’s name or in accounts that contain only the adviser’s clients’ funds and securities, under the adviser’s name as agent or trustee for the clients. As noted above, each Segregated Loan Account will be maintained with a Qualified

Custodian and will be opened in the name of the specific BP Lender. Investors in each BPA Fund are advised that the assets held in each specific Segregated Loan Account, include not only those of the specific BPA Fund as Syndicate Loan Participants, but also those of the BP Lender and, in some cases, those of other affiliates of BPA (and of BasePoint Capital), and other Syndicate Loan Participants which are not BPA Funds. BPA has adopted certain stringent protocols to protect the assets of its BPA Funds with respect to these commingled assets held in each Segregated Loan Account.

In addition, Rule 206(4)-2 (a)(3) under the Advisers Act provides that an adviser (or a Related Party (i.e., the Representative) which has custody, or is deemed to have custody under the Custody Rule, of client funds or securities must have a reasonable basis, after due inquiry, for believing that the Qualified Custodian that holds such funds or securities on behalf of the adviser's client sends an account statement, at least quarterly, to such client for which the adviser maintains funds or securities. The account statement must identify the amount of funds and securities in the account at the end of the relevant period and list all transactions in the account occurring during such period. However, as the underlying Qualified Custodian for each Segregated Loan Account will not be provided with a breakdown of the legal and beneficial ownership of each Syndicated Loan Participant by the Representative or Administrator, BPA believes that the Administrator, at the direction of the Representative, will send out detailed statements to each Syndicate Loan Participant, including each BPA Fund that holds an interest therein, a weekly and/or monthly statement following each remittance to such BPA Fund that reflects each remittance to the subject BPA Fund and its interest in the Segregated Loan Account.

With respect to each BPA Fund, BPA, BPA will ensure that audited financial statements prepared in accordance with Rule 206(4)-2(b)(4) the ("**Audited Pool Exception**") are prepared and distributed on an annual basis to each BPA Fund investor no later than 120 days following the end of the subject BPA Fund's fiscal year end.

In connection with the establishment of each BPA Fund, it is anticipated that both BPA, as the investment manager, and the BPA affiliate, as the general partner or manager of such BPA Fund, will each be deemed to have custody under the Custody Rule of the assets of such BPA Fund because BPA and such affiliate will have authority to distribute out of the BPA Fund its Management Fee, the Performance Fee and/or a carried interest, respectively, without having to obtain the prior written consent of each investor in such BPA Fund. Under the Advisers Act, BPA is responsible for ensuring that the funds and securities held by each BPA Fund (its "**Eligible Assets**"), excluding certain "privately offered securities," are held only with a Qualified Custodian. As noted above, Qualified Custodians include, among others, non-affiliated banks of BPA or its affiliates, and broker-dealers. As also discussed above and in Item 13 entitled "*Review of Accounts*" of this Brochure, BPA intends to rely upon the Audited Pool Exception with respect to each BPA Fund, including ensuring that each of such BPA Funds is audited by a properly registered independent PCAOB registered Accountant. Likewise, as noted above, BPA will ensure that a copy of such audited financial statements will be timely delivered to each BPA Fund investor, and in any event, no more than 120 days following the subject BPA Fund's fiscal year end.

## **Item 16: Investment Discretion**

Depending on the nature of the authority granted to BPA by a particular BPA Fund, BPA will have discretionary, non-discretionary or limited discretionary authority to manage and provide continuous portfolio management services to such BPA Fund. While BPA will provide substantially similar advice to non-discretionary and limited discretionary BPA Funds, the authority to make the investment decision for these BPA Funds to the extent discretion has not been granted to BPA, will remain exclusively with the subject BPA Fund.

The governing documents for each BPA Fund or the investment management agreement with the subject BPA Fund (together with such Fund's offering documents or related agreements) will set out the BPA Fund's investment guidelines, any limitations, restrictions, or prohibitions, as the case may be.

## **Item 17: Voting Client Securities**

The SEC adopted Rule 206(4)-6 under the Advisers Act, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. In compliance with such rules, BPA intends to adopt proxy voting policies and procedures.

BPA generally does not engage in transactions involving publicly traded securities for its BPA Funds. Therefore, BPA does not anticipate being called upon to vote proxies given the nature of BPA Fund assets. In the rare instance that BPA is deemed to own a security that requires voting of a proxy, BPA will vote such proxy in accordance with its fiduciary duty to its BPA Funds and Rule 206(4)-6 of the Investment Advisers Act, taking into account any potential conflicts of interest.

A copy of BPA's proxy voting policies and procedures, as well as specific information about how BPA has voted in the past, to the extent applicable is available upon request to the Chief Compliance Officer at 212-634-9900.

## **Item 18: Financial Information**

BPA does not require the prepayment of more than \$1,200 in fees per client and six months or more in advance, has not been the subject of a bankruptcy petition, and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to BPA Funds.