



## **Item 1. Cover Page**

### **LBC Credit Management, L.P.**

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Brochure date: March 31, 2023

**This brochure provides information about the qualifications and business practices of LBC Credit Management, L.P. If you have any questions about the contents of this brochure, please contact Lily Wicker, the firm's Chief Compliance Officer at [lwicker@cifc.com](mailto:lwicker@cifc.com) or (212) 624-4597. 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 LBC Credit Management, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

LBC Credit Management, L.P. is registered as an investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.



## **Item 2. Material Changes**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization, which are included herein.

LBC has included the following material changes since its last annual amendment filing dated March 30, 2022:

- As of August 1, 2022, Lily Wicker has replaced Michelle Vaughn as the Chief Compliance Officer of LBC Credit Management, L.P.
- LBC updated its disclosures in Item 5, Item 8 and Item 10, in relation to LBC Credit Partners VI LP.

We encourage you to carefully read this document in its entirety.



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#### **Item 4. General Information about LBC Credit Management, L.P.**

LBC Credit Management, L.P., also known as LBC Credit Partners (“**LBC**”), is an alternative fixed income manager primarily focused on originating and managing privately negotiated secured debt of middle market companies in North America.

Effective December 29, 2021, pursuant to a Contribution Agreement dated November 11, 2021, between LBC Stock Holdings, LLC, CIFIC Corp., an affiliate of CIFIC Asset Management LLC (together with its affiliates, “**CIFIC**”) and the other parties named therein, CIFIC Corp. acquired LBC and several LBC-affiliated general partner entities. In accordance with the Investment Advisers Act of 1940, as amended (“**Advisers Act**”), LBC obtained consents from the LBC Funds’ investors in relation to the change of control of the adviser. Subsequent to the acquisition, John Brignola and Nate Cohen, who are co-founders and managing partners of LBC, remain in their current management positions with LBC.

The LBC investment team consists of over 40 investment professionals with extensive experience in structuring, underwriting, and managing loans. LBC provides investment services to privately offered pooled investment vehicles for multiple or singular institutional investor(s), related parallel funds, co-investment vehicles, feeder funds, and alternative investment vehicles (each a “**Fund**” and, collectively known as, the “**Funds**” or “**LBC Funds**”). None of the Funds have been registered under the Securities Act of 1933 (the “**Securities Act**”), as amended, the Investment Company Act of 1940, as amended (the “**1940 Act**”), or the securities laws of any state or other jurisdiction. Each Fund conducts a “private offering” and is intended for investment by “accredited investors” and “qualified clients” as those terms are defined under the Securities Act and the Advisers Act, respectively.

Each Fund’s investment objective includes seeking to maximize current returns while preserving investor capital by providing a certain level of returns, net of fees and expenses, as described in detail in each Fund’s private placement memorandum, supplements, partnership agreements, management and advisory agreements, and any other applicable agreements provided to Fund investors (collectively, the “**Governing Documents**”). Generally, LBC utilizes a similar strategy for all Funds and tailors its advisory services to the specific needs of each Fund as described in the Fund’s Governing Documents. An investment advice is provided directly to the respective Funds and not individually to investors. Any investment restrictions are imposed in the Governing Documents for the Funds. These terms may limit LBC’s ability to invest in certain securities or geographies, sectors, concentration limits or use of leverage, among others. LBC and the Funds have entered (and will in the future enter) into agreements, or “side letters,” with investors, whereby such investors may be subject to terms and conditions that vary from, and may be more favorable than, those applicable to other investors. Any such terms and conditions may include, but are not limited to, (i) reporting obligations, (ii) transfers to affiliates, (iii) investment restrictions, (iv) consent rights to certain Governing Document amendments, or (v) representation on a Fund’s limited partner advisory committee (or equivalent thereof).

Co-investment, feeder and parallel single investor vehicles are established from time to time to participate alongside the relevant Fund in certain investment opportunities, in accordance with any applicable restrictions in the relevant Funds’ Governing Documents. The allocation procedures for new investments, co-investments and syndications are further discussed in Items 8, 10 and 12.

References herein to LBC include, unless the context requires or as disclosed in Item 10 herein, certain entities controlled by LBC for which LBC will provide investment management services.



As of December 31, 2022, the LBC Funds' regulatory assets under management were approximately \$ 3,436,415,191, which consist of \$ 3,417,691,778 of client assets managed on a discretionary basis and \$ 18,723,413 of client assets managed on a non-discretionary basis.

## Item 5. Fees and Compensation

LBC is generally compensated for advisory services through asset-based management fees and receives performance-based compensation. The calculation of fees payable by investors is complex, and investors are advised to carefully review the terms set forth in the Governing Documents of the applicable Fund. LBC may reduce or waive the fees and expenses described below with respect to certain investors. LBC and its Funds have permitted, and will in the future permit, certain business associates, employees, partners and other "friends and family" of LBC to invest directly or indirectly in the Funds on terms which will be more favorable than those offered to other investors, including with respect to the payment of management fees and/or carried interest. Such related investors will either directly pay their pro rata share of Fund expenses or the pro rata amount of such expenses will be allocated to the general partner of such Fund.

**Management Fee** – Each Fund pays an annual management fee ("**Management Fee**") in accordance with its Governing Documents, typically paid by capital contributions from investors or from cash proceeds otherwise distributable to investors. Management Fees will typically commence on the date that a Fund has held its initial closing or a specific number of days prior to the Fund's first investment. Thereafter, Management Fees will generally be paid on the first day of each calendar quarter, in advance. Management Fees will be calculated as a percentage up to 1.75% unless noted below and may be negotiated for certain investors based on the size of the investor's commitment to the respective Fund.

With respect to LBC Credit Partners III, L.P. ("**Fund III**") and each related parallel fund, the Management Fees are calculated as a percentage of aggregate investor capital commitments until the expiration or termination of the respective Fund's commitment period, and thereafter, the Management Fee is equal to either (a) a percentage of the aggregate original and additional cost of each of the portfolio investments held (including any leverage used for the purpose of, or related to making such investments), minus any permanent and unrecoverable write downs, until such investment has been repaid in full, sold or liquidated for cash or (b) the lower of (i) the aggregate original and additional cost of each of the portfolio investments minus any permanent and unrecoverable write downs until such investment has been repaid in full, sold or liquidated for cash or (ii) the aggregate fair market value of the portfolio investments held on the calculation date (as reflected on the Fund's quarterly financial statement as of the calculation date).

With respect to LBC Credit Partners IV, L.P. ("**Fund IV**"), LBC-P Credit Fund, L.P. ("**LBC-P**") and LBC-A Credit Fund, L.P. ("**LBC-A**"), the Management Fee will be calculated based upon the lower of (a) the aggregate original and additional cost of the portfolio investments then held on the calculation date (including any leverage used for the purposes of, or related to making such investments) and (b) the aggregate fair market value of the Fund's portfolio investments held on the calculation date, provided, however, that during the first quarter in which an investment in a portfolio security is made, the cost of such portfolio security (including any original issue discount thereon) will be used for purposes of the Management Fee calculation for such quarter regardless of whether such cost is higher or lower than its fair market value.

With respect to LBC Credit Partners V, L.P. ("**Fund V**"), LBC Credit Partners VI LP ("**Fund VI**"), LBC-A Credit Fund II, L.P. ("**LBC-A II**") and CIFIC-LBC Credit Fund O LP ("**LBC-O**"), the Management Fee will be calculated based upon invested capital. "Invested Capital" will mean the sum of (i) the initial cost



of the investment (including any leverage used for the purposes of, or related to making such investments) that have not be disposed of, reduced by any amortization or partial repayments of principal prior to disposition of the investment; (ii) any fees and expenses capitalized into the cost of, and any original issue discount or other market discount related to, such investments; and (iii) the unfunded commitments remaining with respect to such investments, reduced by any net write-downs due to a permanent impairment in value of the investments as adjusted for any write-up, not to exceed the aggregate initial cost of the investment.

As permitted under the Governing Documents, LBC may elect to defer its receipt of a portion of the Management Fees in favor of future distributions of such deferred amounts.

Carried Interest – Each Fund allocates a portion of its distributable proceeds (generally 15% to 20% but which may be negotiated for certain investors based on the size of the investor’s commitment to the respective Fund) to the Fund’s affiliated general partner (such performance-based profit allocation is commonly referred to as “**Carried Interest**”). The Carried Interest is generally subject to the achievement of a specified cumulative annual return, compounded annually (6%-8%) on the amount of the investor’s unreturned capital contributions, as of the date of determination (“**Preferred Return**”) although such thresholds may be less for unlevered vehicles. Carried Interest will be paid as noted in the Fund’s specific Governing Document, generally upon the distribution of proceeds generated by the dispositions of the respective Fund’s portfolio investments pursuant to a priority distribution waterfall after the return of Invested Capital in excess of the applicable Preferred Return. LBC Funds’ Carried Interest is charged in compliance with Rule 205-3 under the Advisers Act.

Incentive Fees – Certain Funds pay LBC an annual payment of incentive fee calculated in accordance with the relevant Funds’ governing documents. Such incentive fees may be paid out of income, dividends, return of principal and other cash proceeds from investments, from borrowed funds drawn from a credit facility or in the Funds’ General Partner’s discretion, from drawdowns of commitments from the limited partners in accordance with the Funds’ governing documents.

Other Fees Received – In general, directors’ fees, supervisory fees, acquisition fees, loan fees, syndication fees paid by third parties (other than any limited partner or investors in LBC Funds), other advisory, break-up, topping and other similar fees (if any and net of related expenses) earned pro rata by the Funds are paid directly to the Funds or as an offset to the Fund’s Management Fee in accordance with LBC’s Allocation Policy and the Funds’ Governing Documents.

Notwithstanding the foregoing, LBC may allocate compensation received for syndicating a new or existing transaction, including but not limited to, syndication fees, arranger fees and skim fees and other similar fees, pro rata based on the size of each Fund’s commitment to the portfolio investment relative to the aggregate commitments of all participants in the transaction (*i.e.*, the global commitment). Subject to the Funds’ governing documents, fees not allocated to the Funds may be allocated to LBC without an offset or reduction to LBC’s Management Fees.

LBC Funds may invest alongside each other, other funds / clients of LBC’s affiliates, or third-party co-investors (collectively, “**Co-Investors**”). Such Co-Investors may invest in the underlying investment directly, or indirectly through participation agreements, or through equity holding vehicles formed for their co-investment and such Co-Investors may invest at the same time of the Funds’ initial investment or later. Depending on the relationship with the Co-Investors, LBC or its affiliates may receive fees from the Co-Investors. Since LBC or its affiliates is not required to share such fees with the LBC Funds, LBC or its affiliates have an incentive to increase the Co-Investors’ participation in the underlying investments relative

to the LBC Funds’.

In no event does LBC or any of its affiliates receive compensation in relation to investments that would require it to register as a broker-dealer under the Securities Exchange Act of 1934, as amended, or any applicable state securities statutes.

Fund Expenses – Generally, the Funds will pay or reimburse LBC for all offering and organizational expenses incurred in the formation of a Fund and its related entities including but not limited to the formation of feeders, legal, travel (including meals and lodging), filing fees, costs of attending third-party conferences to meet with prospective investors, accounting and printing, up to a certain maximum limit specifically noted in the Fund’s Governing Documents. Expenses chargeable to a Fund will be allocated to such Fund and any applicable parallel funds as determined in good faith by LBC unless such expenses solely benefit a specific parallel fund in which case they will be allocated fully to that fund.

The Funds will typically pay all ordinary and extraordinary expenses related to their investment activities, whether or not the associated investments are consummated, including all costs related to: (1) the investigation, sourcing, identification, evaluation, monitoring, settling, originating, financing, purchasing, syndicating, hedging, structuring including any fund subsidiaries, and valuing the investments, whether or not consummated (to the extent not reimbursed by a portfolio company) including travel and out-of-pocket travel related expenses (including meals and lodging provided that such expenses do not exceed any specific limitations noted in a Fund’s Governing Documents) and entertainment; (2) brokerage or commission costs, finder fees, investment banking fees or similar charges, and the cost of unconsummated investments including broken deal expenses that may have been allocated to unconsummated co-investments; (3) costs and expenses associated with financial, market research, analysis and underwriting (including the cost of hosting, licensing, maintaining and enhancing software for subscriptions, service bureaus, third-party consulting and other research tools); (4) the cost of attending, sponsoring or participating in industry organizations and similar events, including reasonable travel and out-of-pocket travel related expenses (including meals and lodging) and dues and fees associated with memberships in any industry organization; (5) marketing and advertising costs; (6) financing costs including subscription lines of credit or debt service on borrowed money, including interest and fees, underwriting and consulting services; (7) holding and exiting investments, risk management, custody services, annual audits, valuation costs, tax, appraisals, insurance and travel; (8) fund-level leverage, including interest and fees, brokerage or commission costs, legal, regulatory or registration filings, insurance, loan administration, agency services, software and banking fees; (9) third party legal counsel, tax preparers and advisors, auditors, accountants, administrators, custodians, depositaries, paying agents, representatives, loan servicers, directors, trustees, consultants and experts, compliance providers, software and information technology providers, valuation agents and other outside advisors or service providers; filing, title, transfer, registration and other similar fees and expenses; (10) legal and regulatory compliance for any filings or reports contemplated by Alternative Investment Fund Managers Directive (the “AIFMD”) or similar laws, rules and regulations or other governmental or jurisdictional rules and requirements) costs and expenses related to the Fund’s compliance with applicable law, rule or regulation associated with the activities of the Fund or the activities of the LBC in respect of the Fund (including (i) all costs and expenses arising pursuant to or related to compliance with AIFMD or any similar laws, rules, regulations or other governmental or jurisdictional rules and requirements or (ii) seeking to ensure that the management of the Fund is not subject to the provisions of AIFMD or any similar laws, rules, regulations or other governmental or jurisdictional rules and requirements); (11) software applications relating to any such activities including, but not limited to, marketing, fund administration, acquisitions, asset management, loan administration, agent services, portfolio administration and management, investor relations and reporting, and accounting software (including hosting, licensing, maintenance and enhancements of systems or software); (12) litigation and threatened litigation and



proceedings relating to the business or activities of the Fund, including any judgment, other award or settlement entered into in connection therewith; indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying any investor or other investor pursuant to the limited partnership agreement and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Funds' Governing Documents); any taxes, fees, governmental charges, fines, penalties or other similar charges levied, assessed or imposed on or against the Fund or its subsidiaries, the LBC or the general partner (excluding taxes on net income payable by LBC in respect of the Management Fee and excluding any taxes that are actually reimbursed by an investor or deemed to be distributed to an investor pursuant to the Fund's Governing Documents); (13) directors and officers liability insurance, errors and omissions liability insurance, cybersecurity and crime insurance, general partnership liability premiums and other insurance expenses, including insurance to protect the Fund, the general partner, LBC, the respective officers, directors, employees, partners, managers and members of the foregoing, investors, and members of the Fund advisory committee and the investors they represent in connection with the activities of the Fund; (14) Management Fee; agency services fees; administrative costs; litigation and threatened litigation and proceedings relating to the business or activities of the Fund, including any judgment, other award or settlement entered into in connection therewith; indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying any investor or other person pursuant to the Governing Documents and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Fund's Governing Documents); (15) any taxes, fees, governmental charges, fines, penalties or other similar charges levied, assessed or imposed on or against the Fund or its subsidiaries, LBC or the general partner (excluding taxes on net income payable by the LBC in respect of the Management Fee and excluding any taxes that are actually reimbursed by an investor or deemed to be distributed to an investor pursuant to the Fund's Governing Document); (16) the costs of any activities with respect to protecting the confidential or non-public nature of any Fund information or data; extraordinary expenses of the Fund, including fees and expenses associated with any tax or other audit, investigation, settlement or review of the Fund amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, parallel funds, the general partner and related entities and any alternative investment vehicle, including the preparation, distribution and implementation thereof (provided that such changes or amendments are not primarily for the benefit of the general partner or LBC); (16) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by an investor; (17) costs and expenses associated with hosting investor's meetings (whether individual or fund-level advisory committee meetings), including costs and expenses of representatives of LBC and advisory committee members attending or otherwise participating in meetings of the advisory committee as well as costs and expenses of independent legal counsel, accountants or other third-party consultants as reasonably necessary to assist the advisory committee in connection with its activities; and (18) the internal costs of preparing, printing or copying reports (such as financial statements, investor reports, capital statements, side letter elections, capital call notices, tax returns, tax estimates, Schedule K-1s or any other administrative, compliance or regulatory filing) for investors and the advisory committee.

Furthermore, the Funds will generally pay all expenses related to investor activities and certain administrative or portfolio investment matters which are carried out internally by LBC employees (which will be charged at cost or otherwise as stipulated in the governing documents) or may be contracted to third parties. These services may include accounting, fund administration, loan administration, agency and custody, treasury and credit facility management, tax services and reporting, investor relations and reporting, and syndications of existing or prospective investments. The Funds will also pay the internal costs of preparing reports and internal and third-party printing and copying costs, costs associated with investors' meetings and mailings and meetings with investors (whether individual or fund-level meetings),





and other operating expenses. Without any corresponding reduction to the Management Fee, LBC will charge the Fund or any borrower for (i) the cost of LBC employees or **its affiliates**, all of which may provide services (including accounting, fund administration, loan administration, agency and custody, treasury and credit facility management, tax services and reporting, investor relations and reporting, and syndications of existing or prospective investments) to the Fund. These costs will be calculated based on the percentage of time an individual devotes to the business affairs of a Fund and such individual employee's salary, bonus, taxes and benefits). Furthermore, subject to the terms of the applicable Governing Documents, such expenses may be capped at a certain percentage of capital commitments per annum.

Where applicable, the Funds will seek reimbursement directly from the underlying portfolio investments and may charge agency fees, administration and servicing fees to these portfolio investments that will indirectly offset some of the above expenses.

Allocation of Expenses – To the extent that expenses are incurred in relation to an investment, or prospective investment, in which a Fund and multiple LBC Funds (or any other entity managed by CIFIC or LBC) are invested or participated in, as applicable, LBC will share in such expenses as determined by LBC. Such expense allocations will generally be pro rata based on the Fund's cost basis (or expected cost basis) of the investment relative to the cost basis (or expected cost basis) of the investment held by each such Fund(s). With respect to expenses other than those incurred in relation to investments or prospective investments, expenses that are common to multiple LBC Funds and any other entity managed by CIFIC or LBC will be allocated in accordance with LBC's expense allocation policy on such basis as LBC determines is equitable and appropriate after considering the factors by LBC, in good faith, considers appropriate.

Payment of Fees in Advance – If a Fund's investment advisory agreement with LBC terminates during a period in which Management Fees have been paid in advance, LBC would pro rate such Management Fees and reimburse the Fund the portion of the Management Fees covering the remainder of the period.

Compensation for Sales of Securities – No commissions, placement fees or other remuneration will be paid by a Fund to LBC or to any of its employees in connection with the offering and/or sale of interests in such Fund.

For a more detailed description of the Management Fees, Incentive Fees, Carried Interest and Fund expenses related to a specific Fund, please see the respective Fund's Governing Documents, which qualify in their entirety the information in this Item 5.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

As described in Item 5, the LBC Funds are subject to Carried Interest and incentive fees and certain affiliates of LBC, or employees of LBC or its affiliates, may receive such incentive compensation from the Funds. This type of compensation is tied explicitly to the performance of a Fund, not an individual transaction or investment, and such compensation will be earned based upon the performance of the Fund's portfolio as a whole. The existence of this Carried Interest and incentive fee program may create an incentive for LBC to cause a Fund to make riskier or more speculative investments than would be the case in the absence of the Carried Interest fee.

Managing funds with different performance-based or Management Fee structures, alongside funds with lower fees will create additional conflicts of interest. An investment adviser will then have an incentive to



favor the higher based fee funds when allocating investment opportunities. To address these risks, LBC has various compliance policies and procedures in place which prohibit employees from favoring one Fund over another (such as “allocation policies and procedures”). Please see Item 12 for more details regarding LBC’s Allocation Policy.

## **Item 7. Types of Clients**

LBC provides investment advice to its Funds, which are privately offered pooled investment vehicles (generally limited partnerships). Investors (typically, limited partners) in the Funds include, but are not limited to state and local pension plans, endowments, corporate and business entities, foundations, trusts, and high net worth individuals that are (i) “accredited investors” and “qualified clients” as those terms are defined under the Securities Act and Advisers Act or (ii) “qualified purchasers” or “knowledgeable employees” of LBC as defined in the 1940 Act. The Funds’ Governing Documents generally require a minimum initial investment or commitment by each individual investor of \$1 million and each institutional investor of \$5 million. However, LBC has the discretion to waive or reduce the minimum initial investment or commitment and has done so for certain investors. As stated elsewhere in this disclosure, LBC’s relationships also include Co-Investors, who are generally not advisory clients of LBC or its affiliates in the same capacity as the Funds.

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

Methods of Analysis - LBC employs a disciplined investment process to determine potential investment opportunities and will use various underwriting techniques, research methods and analyses. This process will typically include a thorough analysis of the business and its industry, capital structure and historical and projected financial performance focusing on sales, margins, cash flow, liquidity and capital expenditures.

LBC will also have discussions with key customers, suppliers and competitors and engage independent third parties and/or work in concert with the borrower’s other lenders (if any) and the equity owners to perform additional due diligence, including, but not limited to, quality of earnings reviews, collateral audits, industry research, system reviews, operational reviews, assets appraisals, business valuations, environmental audits, background checks, management assessments and other analyses, as deemed appropriate.

Investment Strategies – LBC employs a disciplined investment strategy by primarily directly originating and managing a diversified portfolio of high-yielding secured loans to middle-market companies, generally, with revenues less than \$750 million, and an EBITDA of \$5 million to \$50 million for its sponsored middle market series of Funds.

LBC seeks to manage risk and minimize volatility by making investments in private transactions throughout the capital structure and across a broad range of industry sectors based on a comprehensive credit and operational evaluation. A Fund’s ability to offer both senior and junior capital allows LBC to expand its base of deal flow, counter the effect of business cyclicity, minimize the effects of adverse risk selection and provide portfolio diversification.

The principal asset classes in which LBC invests include corporate debt, generally consisting of senior and junior loans to middle-market borrowers through direct origination and club participations: primarily cash

flow, uni-tranche, bifurcated term, second lien and secured or unsecured mezzanine loans and to a lesser degree corporate lease, small loan pools, debtor-in-possession (“DIP”) loans, broadly syndicated corporate loans and bonds. On occasion, LBC will also make equity co-investments and acquire other equity instruments, including but not limited to, common and preferred stock and warrants, in connection with the purchase of a debt instrument or in connection with the restructuring or recapitalization of a debt instrument. The loans and other investments held by the Funds will generally be unrated and not actively traded in any secondary market.

#### Material Risks

An investment in the Funds may be deemed speculative and is not intended as a complete investment program. There can be no assurance that the use of any strategy for any Fund will achieve any returns or avoid a loss. A Fund’s ability to achieve returns will depend on a variety of factors, many of which are beyond its or LBC’s control.

Based upon LBC’s current investment strategies above is a summary of various material risks associated with the investment strategies and methods of analysis generally employed by the Funds. This summary does not attempt to describe all of the risks associated with an investment in an LBC Fund, and there can be no assurance that other risks and conflicts of interest will not arise. It is critical that investors refer to the Governing Documents of the applicable Fund for a more complete description of the risks associated with an investment.

Risk of Loss - Investing in private debt and equity securities involves risk of loss that investors must be prepared to bear, and all investments risk the loss of capital.

No Assurance of Investment Return - Each Fund’s task of identifying and evaluating investment opportunities, managing such investments and realizing a positive return for investors is difficult and involves considerable judgment. There is no assurance that a Fund will be able to invest its capital on attractive terms or implies it will generate positive returns or avoid losses for its investors over the long term.

Economic and Market Conditions. The state of the private debt industry, generally, and the success of LBC Funds’ investment activities, specifically, will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and U.S. and global political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by LBC. Conditions such as financial market volatility, illiquidity and/or decline, a generally unstable economic environment (including as a result of a slowdown in economic growth and/or changes in interest rates or foreign exchange rates) and/or a deterioration in the capital markets may negatively impact the availability of attractive investment opportunities for a Fund, the Fund’s performance and/or valuation of a Fund’s investments, and/or the Fund’s ability to dispose of investments. In addition, the public market comparable earnings multiples that are frequently used to value privately held portfolio companies and investors’ risk-free rate of return may be impacted. Such conditions could result in substantial or total losses to a Fund in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company’s capital structure.

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, local or global pandemics or other sources of political, social or economic change or unrest. A rapid or significant erosion of confidence may result in a deterioration of credit markets and/or lead to or extend a localized or global economic downturn.

A climate of uncertainty may reduce the availability of potential investment opportunities, and generally will increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections and valuations.

Nature of Investments - Investment in a Fund requires a long-term commitment with no certainty of return. The Funds may invest in businesses that have experienced and may continue to experience severe financial difficulties. In general, the secondary trading market for the loans in which the Funds participate is not developed, which will make it difficult to value them. Illiquidity and adverse market conditions may mean the Funds will not be able to sell certain portfolio investments quickly or at a fair price. Poor performance by a few of the investments could severely affect the total returns to investors in a Fund including loss of investor capital.

Protection of Collateral – LBC intends to invest primarily in privately negotiated, secured middle market corporate loans and debt securities possessing a security interest on all or a portion of assets of the borrower/issuer. The lien position of the security interests may be senior or junior. If the borrower/issuer defaults on its obligations to the senior lender and/or the Fund and the senior lender and/or Fund forecloses on collateral in which both the senior lender and/or Fund have a security interest, LBC will need to take actions to protect the Fund’s loan or investment, including its security interest in its collateral. These actions may occur either within or after the commitment period and could include buying all or a portion of the loans from the senior lender; making additional loans to, or investments in, the issuer or borrower; providing advances to third parties; and/or restructuring its investment. If the Fund is unable to take these actions or take them quickly enough, the value of the Fund’s investments may deteriorate materially, and the Fund may lose a substantial portion or all of its recovery value with respect to those investments

First Lien, Second Lien and Secured Mezzanine Debt Instruments - Transactions with a first lien on a specific asset will possess greater risks than loans with a first lien on all assets. Second lien and secured mezzanine transactions will result in higher fees and interest rates than senior-secured lending but also involve additional risk over senior secured lending arrangements. Upon execution, a first lien, second lien or secured mezzanine loan will typically be fully secured by the collateral (which includes the enterprise value) of the borrower. If the value of the borrower’s collateral decreases, the available collateral may only be sufficient to cover more senior liens. Junior lien holders will also have diminished capacity to negotiate favorable terms concerning their security and repayment rights and may be forced to give up rights, or subordinate rights, to the senior lender. In the event of a default by the borrower, the second lien or secured mezzanine holder may be required to wait to enforce their rights against the borrower. This creates the risk that the holder of a junior lien will receive unfavorable treatment with respect to distributions and its rights to collateral in a bankruptcy. In the event of decline in the value of the collateral, the Funds will be exposed to the risk that the value of the collateral will not equal the amount of the borrower’s obligations, putting the Funds at risk of being under-collateralized and enduring losses.

Unsecured Debt Instruments - The Funds may invest in loans not collateralized by a lien on specific assets of the borrower and present a higher risk to lenders. In the event of a bankruptcy by the borrower, the unsecured creditors typically will have a general claim on the assets of the borrower after the specific pledged assets have been assigned to the secured creditors. Unsecured creditors run the risk of little or no recovery in a bankruptcy.

Leveraged Companies - The Funds will invest in companies that are financially leveraged or troubled or potentially troubled or have recently been involved in restructurings, bankruptcy or reorganization.

Investments in such companies are likely to be particularly risky investments, although they may offer the potential for correspondingly high returns. The use of leverage results in increased interest expense and other costs to the company whereby the company may have insufficient earnings or that may not be covered by revenues during economic downturns. Leverage also may impose restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. In the event any borrower cannot generate adequate cash flow to meet debt servicing, a Fund may suffer a decrease in income or loss of principal, which would adversely affect the returns of such Fund.

Fund Leverage - A Fund's assets generally will be leveraged, which may adversely affect income earned by such Fund or may result in loss of principal. Lenders to the Funds will have a priority interest on all or specific assets of the Funds, which also may include uncalled investor capital commitments. Unpaid principal, interest and fees to the respective Fund's lenders will have a priority over distributions to Fund investors under certain circumstances. The use of leverage involves a high degree of financial risk and will increase the exposure of a Fund or its investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the collateral underlying such investments. Market fluctuations may significantly decrease the availability of and increase the cost of leverage. The use of leverage will increase the amount of funds available to a Fund for investment but will also increase the risk of loss. Upon liquidation of the Fund, both unpaid principal and accrued interest will have priority over payment of amounts due to the Fund and its investors.

Credit Facility - The Funds will regularly retain proceeds from its investment activities to pay outstanding credit facility borrowing, including interest costs and fees, and other expenses and liabilities, and subsequently draw on available credit facilities. The Funds also expect to borrow under a credit facility in lieu of calling capital from investors. As a result, the outstanding indebtedness under a credit facility may be significant and such indebtedness may need to be repaid by capital contributions from investors before and after the commitment period if proceeds are not available to repay such amounts when they become due which could lead to investor losses.

Interest-Rate Risk - The market value of a Fund's investments, not entailing floating interest rate structures, will be affected by changes in interest rates.

Diversification Limits - The Funds have limited constraints with respect to geographic regions, sectors or product types. Lack of diversification across the portfolio will increase a Fund's exposure to adverse market conditions in each region, sector or product type.

Middle Market Companies - Investing in middle market companies involves a number of significant risks, including but not limited to: such companies may have limited financial resources and may be unable to meet their obligations under their debt investments; such companies typically have shorter operating histories, narrower product lines, more concentrated customer, supplier and production bases and smaller market shares than larger businesses; such companies generally have less predictable operating results; debt investments in such companies generally may have a significant portion of principal due at the maturity of the investment, which would result in a substantial loss; such companies generally have less publicly available information about their businesses, operations and financial condition; and such companies may have difficulty accessing the capital markets to meet future capital needs.

Lower Middle Market Companies - Investing in lower middle market companies involves a number of significant risks, including but not limited to: limited financial resources and may be unable to meet

their obligations under their debt securities that the Fund may hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of realizing any guarantees the Fund may have obtained in connection with an investment; shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns; dependency on the management therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the issuer; less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; Difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity; and dependence on a specific customer or supplier, the loss of which or a forced change in margin associated with such customer or supplier could have a material adverse effect on such company's profitability.

Expedited Transactions - Investment analyses and decisions by LBC may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to LBC at the time of an investment decision is limited, and LBC may not have access to detailed knowledge of all circumstances that will adversely affect an investment. In addition, LBC will rely on independent consultants in connection with its diligence, and no assurance can be given that these consultants will accurately evaluate such investments.

Unable to Identify Attractive Investments - No assurance can be given that LBC will be able to originate investments that satisfy their individual rate of return objectives or that such investments will perform as expected. Each Fund intends to make draws on commitments as funds are needed during such Fund's respective investment period; however, investments consistent with a Funds' strategy may not be available at certain instances.

Interest Subject to Restrictions on Transfer and Withdrawal - Interests are not transferable except with the consent of a Fund's general partner. Certain Funds will require additional regulatory consents for such transfers. Fund investors may not withdraw capital from a Fund. There will be no public market for the Interests. Each investor must be prepared to bear the economic risk of an investment for an indefinite period, since interests in a Fund cannot be resold unless they are subsequently registered under the Securities Act, or an exemption from such registration is available, and provisions of such Fund's partnership agreement relating to restrictions on the transfer of interests are complied with.

Funds' Lack of Control over Investments - As an investor primarily in debt securities, each Fund will not have control over the issuers of such securities and will have to rely on independent third-party management or strategic partners to operate the issuer in a manner that results in full and timely payment of interest and principal, protects any collateral (including the enterprise value of the borrower) and otherwise complies with the agreements under which such securities were issued. Although the Funds will attempt to loan to companies with strong management teams, there can be no assurance that any borrower's management team will be able to operate successfully. Instances of fraud and other deceptive practices committed by the management team of portfolio companies in which the Funds have an investment would undermine LBC's due diligence efforts with respect to such companies. If such fraud is discovered, it could adversely affect the valuation of the Funds' investments and may contribute to overall market volatility that can negatively impact the Funds' investment portfolios and performance.



Prepayment of Investments - While an investment may have a stated maturity, borrowers may prepay their loans prior to such maturity. Early prepayment, particularly by good credits, reduces a Fund's opportunity to make long-term compounded returns. Later prepayment, particularly by weaker credits, can tie up a Fund's capital in investments which may have a greater risk of default. Either way, the shortening or lengthening of the holding period may prevent a Fund from realizing its projected returns

Need for Follow-on Investments in Portfolio Investments - Certain investments that each Fund will make may need additional capital. The inability to obtain such follow-on capital may have an adverse effect upon each Fund's investment.

Investment Guarantees and Indemnities – The LBC Funds may be required to enter into guarantees of investment-level obligations, including letters of credit or indemnities related to the investment with third parties. These guarantees and indemnities may provide for joint and several liability between an LBC Fund and a parallel fund (if formed). If they do, it is possible that either the Fund or a parallel fund would be required to pay amounts under these agreements that exceed their respective pro rata share (based on relative amounts invested) of the obligation or even the full amount of the obligation. To address this possibility, if they enter into joint and several guarantees or indemnities, the Fund and a parallel fund will enter into a cross-indemnity agreement between themselves pursuant to which each will indemnify the other to the extent one of them pays more than its pro rata share of any such obligations. However, there still would be a risk that either the Fund or a parallel fund may be ultimately responsible for more than its pro rata share of any joint and several obligations.

Reinvestment – LBC has the right to reinvest and recall certain capital returned and distributed to investors. Accordingly, an investor may be required to make capital contributions in excess of its commitment and to the extent such recalled or retained amounts are reinvested in portfolio investments, an investor will retain subject to investment and other risks associated with such investments.

Investments in Equity Securities - The LBC Funds will invest in securities including preferred or common stocks, warrants, or similar equity securities. These equity investments may be purchased directly by the Funds or received in complete or partial exchange of a debt investment that was restructured through a reorganization, bankruptcy or otherwise. Any investments in equity securities will be subject to normal market risks, including limited liquidity and price volatility. While diversification among issuers may mitigate these risks, the Funds are not required to diversify their investments in equity securities, and investors must expect fluctuations in the value of equity securities based on market conditions. In addition, the value of equity securities will be substantially reduced or extinguished in a bankruptcy proceeding or other corporate restructuring. LBC generally makes minority equity co-investments which typically carry minimal voting rights and little to no control.

Private Investments - Private investments are subject to legal or other restrictions on transfer, and there may be no liquid market for such investments. This means that LBC may be unable to sell them when desired or to realize their previously anticipated fair value when sold. The sale of illiquid assets often requires more time and results in higher selling expenses than does the sale of more liquid assets. Calculating the fair market value of private investments can be difficult. While both public and private investments may be affected by LBC's acquisition of confidential or material, nonpublic information, private investments create a heightened risk that LBC may acquire such information and will be restricted from initiating transactions in certain securities or selling certain investments at a time when an investment-related action would otherwise have been taken.



Hedging - In connection with the financing of certain assets, LBC may employ hedging techniques or use other derivative instruments designed to protect against adverse movements in currency and/or interest rates. While such transactions may reduce certain risks, such transactions themselves will entail certain other risks. Although such transactions may reduce the Funds' exposure to, among other things, currency fluctuations or decreases in the value of investments, the costs and risks associated with these arrangements will reduce the returns that the Funds would have otherwise achieved if these transactions were not entered into by them. For a variety of reasons, LBC may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Fund from achieving the intended hedge or expose the Fund to risk loss. In addition, although such hedging transactions may hedge economic risks, they may not be effective hedges for tax purposes. The success of a Fund's hedging strategy will depend, in part, upon LBC's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments being hedged. Since the characteristics of many investments change as markets change or time passes, the success of a Fund's hedging strategy will also be subject to LBC's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner.

Covenant-Lite Loans - There will likely be instances in which the investments do not have maintenance financial covenants ("**Covenant-Lite Loans**") in the related loan documentation. An investment in a Covenant-Lite Loan may potentially hinder the ability to re-price credit risk associated with a portfolio company's performance and reduce the creditors' ability to restructure a non-performing loan and mitigate potential loss. As a result, a Fund's exposure to losses may be increased, which could result in an adverse impact on a Fund's return to its investors.

Unfunded Loans - Fund investments will be comprised of loan commitments that are unfunded at the time of investment and may take the form of revolving commitments and delayed draw term loans. A loan commitment is a written agreement in which the lender commits itself to make a loan or loans up to a specified amount within a specified time period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded." The Funds run the risk under certain negative circumstances that they would not have adequate capital reserves to meet these commitments thus resulting in a negative impact on the Funds and could expose them to additional liability. Additionally, if the LBC structures Fund investments as unfunded loans, LBC would need to reserve capital to fund such loans. If the full amount of such unfunded loan is not utilized by the borrower, LBC could have deployed such reserved capital elsewhere to generate a higher return. In addition, since unfunded loans are included in the calculation of certain LBC Funds' Management Fee, LBC may be incentivized to structure Fund investments using unfunded loans in order to increase the Fund's Management Fee payable to LBC, particularly as unfunded loan commitments can be substantial and further may be never or minimally utilized in certain circumstances.

Valuation Agents - The LBC Funds invest primarily in privately negotiated loans to middle-market companies where observable market data and inputs are limited and readily ascertainable market data is lacking. The majority of the Funds' loans will be fair valued based on model-derived valuations in which one or more significant inputs or significant value drivers are unobservable and may require the use of estimates and/or the assessment of factors specific to the investment. In accordance with LBC's Valuation Policy, which provides in part the following: (i) LBC will seek third-party valuations of substantially all of the LBC Funds' assets on a quarterly basis, however, under certain circumstances as noted in its Valuation Policy, such third party valuations may not be required; and (ii) LBC will

make valuation determinations based on various additional factors, including, without limitation, borrower financial performance, external pricing sources (if any), recent trading activity (if any) or other information aimed at a relative value assessment process that incorporates, among other factors in the valuation agent's discretion, current market conditions, position size, trends and prices. LBC will prepare internal valuations in accordance with LBC's internal valuation model in order to help ensure the reasonableness of all such third-party valuations. LBC generally utilizes mid of such third-party valuations. The final valuation by LBC for any investment may vary from similar valuations performed by independent third parties for similar types of securities and financial instruments as the result of considering other factors, including the third-party valuations received by LBC.

Legislative or Regulatory Developments - No assurance can be given that currently anticipated income tax treatment will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect, to the detriment to the Fund Investors.

Limited Recourse and Indemnification - The Fund's Governing Documents limit the circumstances under which LBC or their affiliates will be held liable to the Funds. As a result, investors will have a more limited right of action in certain cases than they would have in the absence of such limitations. In addition, the partnership agreements provide that the Funds will indemnify LBC, their affiliates, partners and employees for certain claims, losses, damages and expenses arising out of their activities on behalf of the Funds. Such indemnification obligations could materially adversely affect the returns to investors. An indemnification obligation of the Funds would be payable from the assets of the Funds, including unpaid commitments of the investors. Additionally, LBC's insurance coverage may not include enough coverage to address all claims, losses, damages or expenses that might arise. If either the assets or the insurance coverage of the Funds is insufficient, LBC may recall capital previously returned to the Investors.

Investments with Maturity Dates Longer than the Term of a Fund - A Fund may hold investments with maturity dates later than the date on which a Fund is expected to be dissolved. LBC expects that investments will be disposed of prior to dissolution, a Fund may be required to sell, distribute, otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Regulatory Risks - Each Fund relies on various exemptions from Federal and state statutes and rules and various regulations that might require LBC to alter its business activities (such as the Employee Retirement Income Security Act of 1974, more commonly known as "ERISA," the 1940 Act and the Securities Act) to operate under such statutes and rules. It is anticipated that, in the normal course of business, certain officers and employees will have contact with governmental authorities and/or be subjected to responding to questionnaires or examinations. The Funds will also be subject to regulatory inquiries concerning their positions and trading. Any such regulation, including changes to the tax code, whether in the United States or abroad, could increase the cost of acquiring, holding or divesting portfolio investments, operating and effecting restructurings of portfolio companies and operating the Funds. Regulation could also increase the risk of third-party litigation. Loss of any such exemption, or a change in these statutes and rules or certain others, such as the Advisers Act, anti-money laundering rules, and the U.S. Internal Revenue Code, could impact a Fund's ability to continue to operate as it currently does. Obtaining regulatory approval may be a lengthy and expensive process with an uncertain outcome.

Investment Outside the United States or Canada - The LBC Funds may invest, to a limited extent, in portfolio investments whose administrative headquarters are located outside the United States or Canada, and overseas investments may entail risks do not present in U.S. markets. These risks include:

the possibilities that foreign markets may not be as developed or efficient as those in the United States; securities of some foreign issuers may be less liquid than those of comparable U.S. issuers; volume and liquidity in most foreign markets are less than in the United States; and at times volatility of price can be greater than in the United States. In addition, applicable regulations may be less stringent or different than in the United States; less information may be publicly available; and non-U.S. issuers may not be subject to accounting and financial reporting standards, practices and requirements comparable to those applicable to U.S. issuers.

**LIBOR Reform May Subject a Fund to Certain Risks** – To the extent any investments bear interest based on the London interbank offered rate (“**LIBOR**”), the Funds will be subject to certain risks. Over the past several years, LIBOR has experienced historically high volatility and significant fluctuations. Regulators and law-enforcement agencies from a number of governments, including entities in the United States and the United Kingdom, have been conducting civil and criminal investigations into whether the member banks that contribute to the British Bankers’ Association (the “**BBA**”) in connection with the calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR for their own benefit. There have also been allegations that member banks may have manipulated other inter-bank lending rates. If LIBOR or another inter-bank lending rate is manipulated, it may result in that rate being artificially lower (or higher) than it would otherwise have been and, to the extent an investment is made or acquired that bears interest based on such rates, it may not appropriately embed a return that is commensurate with its risk exposure.

On March 5, 2021, the United Kingdom’s Financial Conduct Authority announced that certain LIBOR settings (all Euro, Swiss franc, sterling and yen LIBOR tenors and one-week and two-month U.S. dollar LIBOR) would permanently cease to be published immediately after December 31, 2021. Notwithstanding the fact that many U.S. dollar LIBOR settings will remain available until June 30, 2023, it is likely that most new issue U.S. dollar debt instruments will be closed using, and an increasing number of existing U.S. dollar debt instruments will be amended to provide for, a benchmark reference rate other than LIBOR. LBC’s expected alternative rate to be used for U.S. Loans and other LIBOR-related investments is the CME Term Secured Overnight Financing Rate (CME Term SOFR), although there is no guarantee as to whether or not markets will adopt this particular rate as the replacement for LIBOR. The transition to CME Term SOFR, or any other proposed alternative rate, will impact securities backed lending, mortgages, commercial real estate loans, as well as credit/bonds, structured products, derivatives and other products that reference LIBOR. While rates, valuations or other aspects for these offerings will change after the migration to an alternative rate is complete, the extent of the individual impact on the LBC Funds will vary, based on individual circumstances and exposure. Some contracts, prospectuses, offering documents, disclosures, etc. may have “fallback” provisions that either provide an alternative benchmark or allow for a change to an alternative benchmark, however, most LIBOR-based contracts will need to be amended. Importantly, continuity and a smooth transition are the aim of all major financial companies required to make this transition. Impacted loans or investments are currently in the process of transitioning away from the LIBOR rate.

**Certain Tax Considerations** – An investment in an LBC Fund involves complex U.S. federal, state and local income tax considerations which will differ for each investor. Investors should consult with their own advisors prior to an investment in a Fund as to the potential tax consequences that may apply to their particular situation. The Funds may take positions with respect to certain tax issues that depend on legal and other interpretative conclusions. Should any such positions be successfully challenged by the U.S. Internal Revenue Service, an investor might be found to have a different tax liability for that year on its U.S. federal income tax return. LBC may not be able to provide final tax filing information to investor for any given fiscal year until after the initial tax filing deadline for investor tax returns.

Accordingly, Fund should plan to obtain extensions on the filing dates for their income tax returns.

Cybersecurity Risks – LBC, the Funds’ service providers, borrowers, other equity owners, portfolio investments, lenders and market participants increasingly depend on complex information technology and communications systems to conduct business functions. LBC has taken steps to evaluate and mitigate cybersecurity risks, but there can be no assurance that such steps and any policies or practices will adequately address or prevent all types of cybersecurity risks. Such systems are subject to several different threats or risks that could adversely affect the Funds and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to our systems. Third parties may also attempt to fraudulently induce employees or investors to disclose sensitive information to gain access to the LBC’s data or that of the Funds’ investors. A successful penetration or circumvention of the security of the LBC’s systems could result in the loss or theft of an investor’s data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause LBC, the Funds or the portfolio investments to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

Material, Non-Public Information – By reason of their responsibilities in connection with their other activities, LBC, its affiliates and certain of the senior investment professionals will acquire confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information. Due to these restrictions, the Funds will not be able to initiate a transaction that they otherwise might have initiated and will not be able to buy or sell an investment that they otherwise might have bought or sold.

Defaulting Limited Partner - If an investor fails to contribute capital to a Fund when required, among other remedies available to such Fund, the Fund may reduce such investor's unfunded commitment, such investor's interest in the Fund may be forfeited or subject to dilution, the Fund may withhold distributions from such investor and such investor may be prohibited from participating in future investments or voting on Fund matters. In addition, non-defaulting Fund investors may also face adverse consequences due to such defaulting limited partners.

Follow on Investments - Certain portfolio investments may need additional capital. The inability to obtain such follow-on capital may have an adverse effect upon a Fund’s investment.

Alternatively, follow on investments may be allocated to other LBC Funds (or Co-Investors, or CIFIC’s clients) if LBC determines it is not in the best interests of the Fund(s) that made the initial investments to participate. The interests of investors in the initial investment and in the follow-on investment may diverge. Further, fee structures of these various investors may incentive LBC to favor certain allocations.

Conflicts of Interest – Portfolio investments are subject to various conflicts of interest, including those between Co-investors in specific investments, between various investors in a Fund, and between LBC and/or CIFIC and a Fund. These specific conflicts will be fully discussed in each Fund’s Governing Documents. Below is a summary of some of the conflicts of interest related to an investment in the Funds.

- *Board of Directors.* The LBC Funds or one or more of their respective affiliates, or in which partners, members, equity holders, controlling persons, directors, officers, employees, agents, representatives and advisors of LBC or one or more of its affiliates serve on boards of directors

or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such investments by a Fund and otherwise create conflicts of interest for a Fund. There can be no assurance that such other relationships and resulting restrictions will not adversely affect the Fund's investment activities, including, for example, the timing of a potential investment decision.

- *Side by Side Management.* LBC and its affiliates and employees engage in other activities, including providing investment management and advisory services to the Funds, some of which generate higher fees to incentivize LBC to favor such Funds, and are not required to refrain from any activity, to disgorge profits from such activity or to devote a particular amount of time or effort to any Fund.
- *Allocation of Investments.* As a consequence of the bespoke nature of direct lending investments, LBC is not required to accord exclusivity or priority to LBC Funds in the event of limited investment opportunities. Where there is limited supply of available opportunity, LBC will allocate in any manner deemed appropriate which may include, among other things, investment objectives, strategies, restrictions, timing constraints and other factors that LBC deemed relevant. However, LBC cannot assure, and assumes no responsibility for, equality among all of the LBC Funds, and investment opportunities may be allocated, in whole or in part, away from the LBC Funds.
- *Allocation of Special Income.* As noted in **Item 5** (Fees and Compensation), LBC may earn Special Income, including syndication fees, from borrowers or potential borrowers, which are then pro-rated among lenders that may consist of the LBC Funds, funds or clients of LBC's affiliates and/or unaffiliated Co-Investors. Depending on the applicable Governing Documents and LBC's Allocation Policy, the pro-rated Special Income may be wholly credited against the management fee of participating LBC Funds or Co-Investors or may be credited to LBC (or its affiliates), or a combination thereof. Since Special Income can be another source of revenue for LBC and its affiliates, LBC is incentivized to allocate investments in a way that maximize the total net amount of revenue accruing to LBC or its affiliates.
- *Valuation of Assets.* LBC has certain responsibilities to value assets of the Funds, and it has conflict of interest with investors of the Funds because LBC (or its affiliates)' receipt of management fees and performance-based compensation may incentivize it to value assets at higher valuation.
- *Side Letters.* LBC may enter into side letters or other agreements granting more favorable terms to certain investors of the Funds including, but not limited to, special liquidity or withdrawal rights, rights to receive additional or more specialized reports, and different fee schedules.
- *Restricted List.* LBC Funds will be restricted from pursuing investments (or syndicating existing investments) if LBC or CIFIC is in possession of (or opts to not receive) material non-public information in relation to other strategies within the organization, even if it is advantageous for the LBC Funds to do so.

Fraud - There can be no assurance that LBC or a Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor its investments on an ongoing basis. In the event of fraud by any portfolio investment or any of its employees or affiliates, a Fund may suffer a partial or total loss of capital loaned to that company.

Allocation of Fees and Expenses for Broken Deals – In respect of allocating fees and expenses incurred



in connection with an investment that LBC actively considers but does not consummate, LBC will bill the borrower. However, if the borrower does not pay, the Fund(s) will pay the expenses that occurred during the pursuit of this opportunity. As with LBC's other allocation decisions, LBC's allocations procedures and principles are designed to mitigate the risk that financial incentives improperly influence the allocation of any broken deal fees and expenses.

Conflicts Relating to the Limited Partner Advisory Committee – Certain transactions that would otherwise be prohibited by the Governing Documents, including those that involve potential conflicts of interest between a Fund and other LBC investment vehicles, may be impacted with the approval of the limited partner advisory committee. Some or all of the members of the limited partner advisory committee may also be on the limited partner advisory committee of such other Fund or Funds with which there is a potential conflict or may represent investors that have an interest in both the applicable Fund and such other Fund or Funds. Such limited partner advisory committee members will not be precluded from participating in discussions with respect to, or from voting on, such transactions that involve potential conflict of interests. The general partner of a fund, an LBC affiliate, may also appoint representatives of the limited partners as non-voting observers to the advisory committee.

Allocation of Co-Investment Opportunities – LBC intends, where appropriate, to offer investors the opportunity to invest alongside the Funds, or “co-invest,” in an investment that a Fund (or Funds) is making as described below in Item 12. LBC is under no obligation to provide co-investment opportunities to any party, including investors, but may offer co-investment opportunities on a systematic basis to one or more investors or other persons that make sizable investments in and/or commitments to the relevant Fund or, subject to the Governing Documents, may exercise discretion to determine to whom and in what proportion it will offer and award co-investment opportunities subject to certain limitations in the Governing Documents. In some instances, the Funds may offer co-investment opportunities to some investors but not all of them. In addition, allocations of co-investment opportunities to investors (if any) will not necessarily correspond to their pro rata interests in an applicable Fund. In certain instances, Co-investors that pay management fees (or similar fees) to LBC or its affiliates will create an incentive for LBC to allocate co-investment opportunities away from the Funds to maximize its sources of revenue to LBC and/or its affiliates.

Co-investments and Syndications - A Fund may temporarily warehouse a portion of an investment opportunity to facilitate a co-investment or syndication by one or more Funds or third-party investors. If the co-investment or syndication of such investments are not ultimately consummated, the applicable Fund will end up holding a larger portion of such investment than it otherwise expected to hold. When a Fund invests alongside another LBC Fund, the applicable Fund will warehouse all or a disproportionate amount of an expected investment opportunity. The risk of a co-investment or syndication not being consummated will increase in the event an investment decreases in value during the warehousing period, and the applicable Fund will be required to bear the losses in connection with any such investment. To the extent LBC determines to syndicate a Fund investment opportunity by selling loan participations to strategic third-party investors or Fund investors as discussed in Item 10, LBC's ability to control or influence such third parties will be more limited than if the participants were participating through another investment vehicle controlled by LBC.

Participating Interests – LBC Funds may purchase participation interests in debt instruments which do not entitle the holder thereof to direct rights against the obligor. Participations held by an LBC Fund in a selling institution's portion of a debt instrument typically result in a contractual relationship only with such selling institution, not with the obligor. An LBC Fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the selling institution selling the

participation and only upon receipt by such selling institution of such payments from the obligor. In connection with purchasing participations, LBC Funds generally will have no right to enforce compliance by the obligor with the terms of the related loan agreement, nor any rights of set-off against the obligor and the LBC Fund may not directly benefit from the collateral supporting the debt instrument in which it has purchased the participation. As a result, an LBC Fund will assume the credit risk of both the obligor and the selling institution selling the participation. In the event of the insolvency of such selling institution, the LBC Fund may be treated as a general creditor of such selling institution and may not benefit from any set-off between such selling institution and the obligor. Any future weaknesses in certain financial institutions may be indicative of increased counter-party risk with respect to, among other things, e.g., participation interests. Additionally, the transparency of financial statements used by such financial institutions, in particular, with respect to the value of complex financial assets, has been called into question. When an LBC Fund holds a participation in a debt instrument, it may not have the right to vote to waive enforcement of any restrictive covenant breached by an obligor or, if an LBC Fund does not vote as requested by the selling institution, it may be subject to repurchase of the participation at par. Even if an LBC Fund does have the right to vote, there is no certainty that an LBC Fund will be able to garner the requisite threshold of votes of the lending group to execute on any strategy preferred by the LBC Fund. Selling institutions voting in connection with a potential waiver of a restrictive covenant may have interests different from those of the LBC Fund, and such selling institutions may not consider the interests of the LBC Fund in connection with their votes.

Assignments – The LBC Funds may also purchase assignments, which are arrangements whereby a creditor assigns an interest in a loan to an LBC Fund. The purchaser of an assignment typically succeeds to all the rights and obligations of the assignor of the loan and becomes a lender under the loan agreement and other operative agreements relating to the portfolio investment. Assignments are, however, arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assignor of the loan. In contrast to the rights of the LBC Fund as an owner of a participation, the LBC Fund, as an assignee, will generally have the right to receive directly from the obligor all payments of principal, interest and any fees to which it is entitled. In some assignments, the obligor may have the right to continue to make payments to the assignor with respect to the assigned portion of the loan. In such a case, the assignor would be obligated to receive such payments as agent for the LBC Fund and to promptly pay over to the LBC Funds such amounts as are received. As a purchaser of an assignment, the LBC Fund typically will have the same voting rights as other lenders under the applicable loan agreement and will have the right to vote to waive enforcement of breaches of covenants. The LBC Fund will also have the same rights as other lenders to enforce compliance by the obligor with the terms of the loan agreement, to set-off claims against the obligor and to have recourse to collateral supporting the portfolio investment. As a result, the LBC Fund may not bear the credit risk of the assignor and the insolvency of an assignor of a loan should have little effect on the ability of the LBC Fund to continue to receive payments of principal, interest or fees from the obligor. The LBC Fund will, however, assume the credit risk of the obligor.

Administrative services and collateral agent services – Under certain circumstances, LBC or its affiliates may be permitted to receive fees for administrative services provided with respect to underlying issuers (e.g., agency service services), and such fees are not offset against any management fees and do not otherwise accrue to the benefit of the LBC Funds.



**Russia Invasion of Ukraine** – In February 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People’s Republic and Luhansk People’s Republic regions) and subsequently the United States, United Kingdom and European Union announced sanctions against Russia. Given the ongoing and evolving nature of the conflict and its ongoing escalation (such as Russia’s decision to place its nuclear forces on high alert, its recent suspension of its participation in its last nuclear arms treaty and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict’s ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to clients and the performance of their investments or operations, and the ability of clients to achieve their investment objectives. Given the involvement of the broader international community in the conflict, including via the supply of weapons to Ukraine and China’s role in proposing various ceasefires, there remains a risk of spread of the conflict beyond eastern Europe.

**Bank Failures** – The impairment or failure of one or more banks with whom a client, its portfolio companies, a general partner and/or the Advisers transact may inhibit the ability of a client or its portfolio companies to access depository accounts or lines of credit. In such cases, a client may be forced to delay or forgo investments or call capital when it is not desirable to do so, resulting in lower performance for the client. In the event of such a failure of a banking institution where a client or one or more of its portfolio companies holds depository accounts (including accounts used for depositing principal and interest payments from borrowers on loans owned by a client) access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (FDIC) protection may not be available for balances in excess of amounts insured by the FDIC. In such instances, such client and its affected portfolio companies may not recover such excess, uninsured amounts. The loss of these amounts or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the client or its portfolio companies. One or more investors or a general partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments.

#### **Environmental, Social and Governance Matters**

While environmental, social or governance (“ESG”) is only one of the many factors the LBC will consider in making an investment, there is no guarantee LBC will successfully implement and make investments that create positive ESG impact while enhancing long-term investor value and achieving financial returns. Considering ESG qualities when evaluating an investment may result in the selection or exclusion of certain investments based on LBC’s view of certain ESG-related and other factors, and carries the risk that LBC may underperform funds that do not take ESG-related factors into account, because the market may ultimately have a different view of a particular investment’s performance than that anticipated by the Advisers.

Consideration of ESG factors may affect LBC’s exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact LBC’s performance depending on whether such investments are in or out of favor. Applying impact investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the LBC or any judgment exercised by LBC will reflect the beliefs or values of any particular investor. In evaluating an issuer or borrower, LBC is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause LBC to incorrectly assess a company’s ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving accordingly,



and a company's ESG-related practices or LBC's assessment of such practices may change over time.

### **Item 9. Disciplinary Information**

Neither LBC nor any of its management persons (as defined in the Form ADV) have been involved in the past ten years in any legal or disciplinary event that LBC believes is material to an investor or prospective investor in their evaluation of LBC's advisory business or fund management.

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

CIFC – Founded in 2005, CIFC is a global credit manager with approximately \$40 billion of assets under management as of December 31, 2022. CIFC focuses across four disciplines – collateralized loan obligations, structured credit, corporate credit and opportunistic credit. Serving over 300 investors globally, CIFC has approximately 200 employees located in Miami, New York and London with approximately 50 investment professionals averaging 14 years of credit experience. CIFC Asset Management LLC and certain CIFC affiliates are investment advisers registered with the SEC. Separately, several CIFC affiliates serve as the general partner to pooled investment vehicles managed by CIFC.

As noted above in Item 4, on December 29, 2021, CIFC acquired LBC and several LBC-affiliated general partner entities. As a result of this transaction, LBC shares certain inherent conflicts with CIFC, such as:

- Diversity of Investor Group – LBC, and CIFC, may have investors located in a wide variety of jurisdictions, taking a wide variety of forms, which may result in conflicting investment, tax and other interests with respect to the investments it makes on behalf of certain Funds. Therefore, LBC and CIFC may face conflicts in deciding which investments should be allocated to certain Funds and how such investments should be structured.
- Material Non-Public Information – As a result of existing investments or activities of the Funds managed by LBC, CIFC and the employees or managers of both entities, may from time to time acquire material nonpublic information that they will not be able to use for the benefit of the Funds and that may restrict both or either LBC and CIFC from trading in certain investments for its Funds. To avoid some of these restrictions with respect to one or more fund, LBC and CIFC may elect not to receive such material nonpublic information. As a result, another Fund, at times, may receive less information about a particular investment than it may have otherwise received, including less information than that received by other investors, and therefore may be disadvantaged compared to other investors in determining to purchase or sell such investment.
- Conflicts of Staff – Although the professional staff of LBC and CIFC will devote as much time to the Funds as deemed appropriate to perform their duties in accordance with the investment advisory agreements and reasonable commercial standards, the staff will have conflicts in allocating their times and services among the Funds and other CIFC accounts, and there is no guarantee or obligation to devote a specific amount of time to the Funds. Staff may have an incentive to allocate time certain Funds, or in the case of staff with responsibilities to both CIFC and LBC, the staff may have an incentive to allocate time to a certain entity that they personally receive a portion of the carried interest.
- Third Party Ownership Interest in CIFC – A majority interest in one CIFC's affiliates, CIFC



LLC, is indirectly owned by a third-party interest holder, Supreme Universal Holdings Ltd., which does not have authority over the day-to-day operations or investment decisions of CIFIC or LBC as they relate to Funds, although it has negotiated certain protective rights, consent rights and other rights in connection with its indirect investment in CIFIC LLC. Although CIFIC intends to maintain operations, strategy and investment decisions separate from this third-party investor, they generally will have incentives to conduct operations in a manner that benefits Supreme Universal Holdings Ltd.

LBC Small Cap Management, L.P. – LBC Small Cap Management, L.P. (“**Small Cap Management**”) is a licensed fund manager in the SBIC Program under the U.S. Small Business Administration. Small Cap Management is majority owned and controlled by Messrs. Brignola and Cohen, co-founder and managing partners of LBC, and these individuals provide general oversight and participate as voting investment committee members for the funds managed by Small Cap Management (such funds, collectively, “**Small Cap Fund**”). These individuals will be entitled to receive compensation and carried interest from Small Cap Management and the Small Cap Fund. Small Cap Management focuses on originating and managing a portfolio of high-yielding loans and equity co-investments to lower middle market companies, generally defined as companies with revenues of \$10 million–\$75 million and EBITDAs from \$2 million up to \$5 million, subject to SBIC limitations and restrictions for the Small Cap Fund.

Pursuant to a services agreement with LBC, Small Cap Management will leverage LBC’s origination capabilities and back-office administrative platforms. LBC will also provide the Small Cap Fund with origination opportunities for corporate borrowers with EBITDAs between \$2 million-\$5 million, subject to SBIC guidelines and restrictions. LBC will provide investment opportunities in excess of \$5 million EBITDA (at the time of initial sourcing) to the Small Cap Fund if the opportunity is first offered to and declined by the LBC Funds due to not meeting the Funds’ investment criteria. Conversely, Small Cap Management may provide investment opportunities to the LBC Funds at the time of initial sourcing. Please see Item 12 for more details regarding LBC’s Allocation Policy. None of the LBC Funds will co-invest in any investment opportunity with the Small Cap Fund or vice versa.

Co-investment Opportunities between Funds – Investment opportunities that are appropriate for one LBC Fund may also be appropriate for another LBC Fund or other entities managed by an LBC affiliate. LBC will make the allocation of investment opportunities among its Funds as determined by the Fund’s Governing Documents and in accordance with its allocation policies and procedures.

Fund III is prohibited from making any co-investments with any other LBC Fund or an affiliate. If LBC determines that it may be advantageous to co-invest in an opportunity with another LBC Fund, in general, they will seek the required approval from the applicable Funds’ advisory committee(s). The LBC Funds will not share in any co-investment opportunities with the Small Cap Fund. For a detailed discussion regarding LBC’s allocation policies and procedures, please see Item 12.

Co-investment Opportunities with Investors – LBC may offer certain qualifying investors, as defined by the Fund’s Governing Documents, an opportunity to co-invest in a Fund’s portfolio investment on similar terms, but not always, as those offered to a Fund but has no obligation to offer any such opportunities.

Specifically, in relation to co-investment and syndication opportunities for Fund V and Fund VI, LBC may unilaterally manage and control all decisions after an investment is made (such as the structuring, negotiation, servicing and exiting) related to these co-investments on behalf of the qualifying investor. LBC will establish minimum and maximum co-investment amounts and procedures for co-investments and will offer co-investment opportunities to qualifying investors in its sole discretion. If any qualifying investor

does not exercise its right to invest in a co-investment opportunity, LBC is permitted to syndicate such unexercised co-investment opportunities to any investor or any third party, in its sole discretion, at prices and terms consistent with current market conditions.

Qualifying investors will pay their pro rate share of all expenses directly related to the co-investment assets based on the cost of the co-investment assets. Costs and expenses that are not directly related to the co-investment assets, including any costs or expenses associated with initiating a co-investment opportunity that ultimately does not close, will not be borne by the Co-investors but rather by the Fund.

LBC may also syndicate Fund investment opportunities by selling loan participations to strategic third-party investors, which will include Fund investors, and in this capacity, these Fund investors will be treated as Co-Investors as the term is defined above in Item 5. The general partner, in its sole discretion, will determine which persons will be offered the opportunity to join a syndicate. With these syndications, such Co-Investors are expected to fully participate, manage and control their portion of the loan as a participating lender although such investors may delegate to LBC in exchange for a fee.

In the case of a Fund investor holding a position in a loan that includes both a co-investment and a loan participation, LBC may manage this position as a co-investment or a syndication depending upon the proportionate amounts. Fees (such as agency or placement fees) earned in connection with these syndications will be paid in accordance with the Funds' Governing Documents and LBC's Allocation Policy. In certain instances, LBC or its affiliates may receive syndication fees and other similar fees related to such syndication paid by third parties (e.g., other than those paid by limited partners or investors through the Funds in which they invest in).

Subject to the Funds' Governing Documents, LBC will be permitted, but not required, to offer certain Fund investors and/or other persons the opportunity to co-invest alongside one or more Funds, as the case may be, in portfolio companies in which the Funds invest on substantially the same terms and conditions as the Funds (including conditions under which the Funds permitted to dispose of such investment), except for fee income related to administration and servicing the co-investment assets, which only the relevant Funds, as applicable, will receive. LBC and its affiliated entities may unilaterally manage and control all decisions (such as the negotiation, voting, restructuring or exiting) relating to the co-investments on behalf of the participating Co-Investor. No co-investment will be permitted unless and until LBC has determined that the relevant Funds and their parallel Funds, if applicable, have invested in the portfolio company, the amount of which is determined by LBC.

LBC may establish minimum and maximum co-investment amounts and procedures for co-investment and may offer any co-investment opportunity to any Co-Investor in its sole discretion, it being understood that LBC will have no obligation to offer any co-investment opportunity to any or all Fund investors, subject to any terms in the Governing Documents to the contrary. Co-investment opportunity will be offered at the discretion of LBC. Co-Investors shall pay their pro rata share of all expenses directly related to the co-investment assets based on the total amount invested in or committed to any such person by each Co-Investor, the Funds or if applicable, the parallel Funds.

Transactions with Single Investor Funds – LBC (i) currently manages and may, without the Funds' advisory committee consent, form and manage additional separate accounts, including single investor funds, for specified clients (such accounts defined as "Other LBC Funds") and (ii) Funds may co-invest some or all of its assets with such Other LBC Funds, that may not operate in parallel with the Funds. Such Other LBC Funds may have different economic or other terms from terms of the Funds, including, among others, terms relating to fee structure, distribution provisions, leverage, governance, investment

limitations, removal rights, fundraising periods, term and investment structures relating to investments (such as the use of blocker corporations to make the investment).

Other LBC Funds, as a result of any such different terms, may not be able to invest in an investment opportunity in which certain Funds have invested, including for follow-on investment, for protective advances, or in the same investment type (i.e., equity participations and debt of the issuer) or may not have the same relative amounts available for investment. In addition, because the term and commitment period may not coincide with certain Funds' term and commitment period, such Funds may not invest in all investment opportunities or investment types (i.e., equity participations and debt of the issuer) in which Other LBC Funds invest. Where the Funds and the Other LBC Funds do co-invest, it will be on substantially the same terms and conditions. LBC will determine whether an investment opportunity is appropriate or inappropriate for the Funds and the Other LBC Funds, and then allocate such investment opportunities among the Funds and the Other LBC Funds as determined by LBC in its reasonable discretion.

Notwithstanding the foregoing, depending on the structure and terms of the Other LBC Funds until the final closing date of certain Funds, such Funds may make investments in advance of the investments to be made by the Other LBC Funds with the intent to transfer a pro rata portion of such investments to the Other LBC Funds consistent with the allocation noted above. Any such transfers to Other LBC Funds will be transferred at cost provided, that the transfer prices between the Funds and the Other LBC Funds will be adjusted as necessary, or as is commercially reasonable, with respect to income and fees received from the investments, or with respect to carrying costs (including an appropriate interest factor on equity funding) or other expenses associated with investments, so as to put the Funds and the Other LBC Funds in the economic position (or as close to it as is commercially reasonable) in which they would have been if they had invested in the investment when originally made. Following the final closing date of the relevant Funds, LBC may (i) acquire on behalf of such Funds a portfolio security from Other LBC Fund or (ii) sell a portfolio security on behalf of such Funds to an Other LBC Fund, provided that LBC will not receive a fee or commission in connection with such cross-transaction, and provided, further, that such transaction is on arm's-length terms, is at fair value and occurs within 90 days of the date of the initial investment by the Other LBC Funds or Fund, as applicable. With respect to any such cross-transaction, the Funds will keep any administration fee, if any, in connection with such transaction. Upon the formation of a successor entity, if the Fund has available commitments, the Fund will continue to receive its allocation of investments pursuant to the Allocation Policy detailed in Item 12 and may co-invest with a Successor Entity as described above.

Outside Business Activities of Key Persons – Messrs. Brignola, Cohen, Homyar Choksi and John Jadach and other key persons employed by affiliates, will have limited business interests separate and apart from their respective interests in LBC Funds, including non-controlling and voting interests in operating companies and directorships of private companies (including portfolio companies of LBC Funds) and non-profit organizations, which have been subject to the pre-clearance requirements in LBC's or its affiliates' Code(s) of Ethics. In the future, Messrs. Brignola, Cohen, Choksi, Jadach and the CIFIC-employed key persons may choose to pursue additional investment and board opportunities as described above.

New outside business interests are subject to LBC's pre-clearance requirements. If Messrs. Brignola, Cohen, a partner or employee becomes aware of a material conflict of interest, involving him/her or his or her role with respect to an LBC Fund, he or she will (i) inform the Chief Compliance Officer; (ii) mitigate the conflict, where possible; and (iii) where required by the terms of the Governing Documents of the applicable Fund, provide disclosure to or approval by such Fund's advisory committee.



Related Party Transactions – LBC may cause certain Funds to (i) acquire investments from other Funds, (ii) sell investments to a successor LBC entity and participate in loan financings and/or refinancing of investments already held by other Funds, and (iii) to continue to own assets in the portfolio company, including equity securities (a “**Related Party Transaction**”). Related Party Transactions will be presented and in certain cases, approve by the Funds’ advisory committee or by a special committee appointed by the advisory committee, in accordance with the Governing Documents.

Without approval of the advisory committee, certain Funds may (x) participate in a financing or refinancing transaction of an investment held by another LBC Fund (“**Other LBC Fund**”) where, as a result of the transaction, the Other LBC Fund completely disposes of its investment via repayment by the portfolio company using all or part of the financed proceeds from the Fund’s investment or (y) acquire loans on the secondary market in which the Other LBC Fund also owns the same class of loan being acquired provided such loans are either publicly traded portfolio securities or a loan which, as of the date of acquisition, (1) is owned by the Other LBC Fund and at least three non-affiliated lenders and (2) in which none of the Other LBC Fund or any of its affiliates are administrative agents and (3) the Other LBC Fund collectively hold less than fifty percent (50%) of the entire outstanding issue after the transaction.

Without approval of the advisory committee, an LBC successor entity will be permitted to acquire loans on the secondary market in which the Other LBC Fund also owns the same class of loan being acquired provided such loans are either publicly traded portfolio securities or a loan which, as of the date of acquisition meets the criteria set forth in (1)-(3) above, subject to any other criteria in the relevant Governing Documents.

For the avoidance of any doubt, LBC Funds may acquire investments from, sell investments to participate in loan financings and/or refinancings of investments with and engage in transactions not deemed to be Related Party Transactions, subject to each Fund’s Governing Documents.

Certain Service Providers - LBC and its affiliates may engage in business with certain service providers, including, for example, outside legal counsel, auditors, investment banks, consultants, equity sponsors, and insurance providers who may be investors in an LBC Fund and/or who provide services to LBC, the LBC Funds, portfolio companies of the LBC funds or businesses that are competitors of the LBC Funds. LBC may have conflicts of interest with the LBC Funds or their portfolio companies in recommending the retention or continuation of a service provider to an LBC Fund or portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in an LBC Fund or will provide LBC information about markets and industries in which LBC operates. Notwithstanding the foregoing, investment transactions for an LBC Fund that require the use of a service provider will generally be allocated to service providers on the basis of LBC’s judgement of the merit of the service provider. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to LBC and its affiliates, as compared to services provided to LBC Funds and portfolio companies, which may result in more favorable rates or arrangements than those payable by the LBC Funds or such portfolio companies.

Possible future activities – The Advisers may expand the range of services that they provide over time. The Advisers will not be restricted in the scope of their business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein. The Advisers have, and will continue to develop, relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with clients who may hold or may have held investments similar to those intended to be made by an account. These clients may themselves represent appropriate investment



opportunities for an account or may compete with an account for investment opportunities. In determining whether to engage in a particular transaction, the Advisers are permitted to consider and there is no guarantee that they would not be influenced by those relationships.

LBC and none of its affiliates are registered as a securities broker-dealer.

LBC, its affiliates, and its management persons are exempt under 4.13(a)(3) from registering with the Commodity Futures Trading Commission and thus, are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

LBC does not recommend or select other investment advisers for its Funds.

### **Item 11. Code of Ethics, Personal Trading, and Client Transactions**

LBC has adopted a written Code of Ethics (the “**Code**”) that is applicable to all its partners, officers, and employees (“**Access Persons**”), and is designed to comply with Rule 204A-1 of the Advisers Act. LBC’s Code is based upon the premise that LBC and its Access Persons have a fiduciary responsibility to render professional, continuous and unbiased investment advice to its Funds and put the interests of its Funds first. The Code requires all Access Persons to (i) comply with all applicable laws and regulations; (ii) observe all fiduciary duties and put Fund interests ahead of their own interests and those of LBC; (iii) observe LBC’s personal trading policies so as to avoid “front-running” and other conflicts of interests between LBC and its Funds; (iv) report any perceived violations of the Code; and (v) ensure that they have read the Code, agreed to adhere to the Code, and are aware that a record of all violations of the Code will be maintained by LBC. The Code also addresses, among other things, LBC officers’ and employees’ standards of business conduct, mitigation of conflicts of interest, reporting of personal securities transactions, political contributions, protection of confidential information, maintenance of data security, proper use of LBC’s and its affiliates’ property, and recordkeeping.

Certain LBC co-founders, partners, employees, CIFIC affiliates and others have invested and/or may in the future invest in the LBC Funds, either through a general partner affiliate or as direct investors in the Funds. LBC will reduce all or a portion of the Management Fee and/or Carried Interest related to investment held by such persons. The fact that LBC and such persons have financial ownership interests in the Funds creates a potential conflict in that it could cause LBC to make different investment decisions than if such parties did not have such financial ownership interests.

For more information regarding how LBC allocates investment opportunities to its Funds and addresses co-investments with related parties, please see Items 8 and 12.

It is LBC’s policy not to execute any principal or agency cross transactions for the Funds unless LBC deems the transaction to be in the best interest of a particular Fund, the relevant Funds give prior consent in accordance with their Governing Documents, and the transaction complies with the “notice and consent” requirements of Section 206(3) of the Advisers Act. LBC also generally refrains from cross trading between the Funds unless the consent of both Funds is obtained, typically through the limited partner Advisory committees, in accordance with the Governing Documents.



To the extent that one or more Funds invest in the same assets of the same issuer at the same time, LBC will generally seek to ensure that all participants in such investments participate on comparable terms. This may not be practicable or appropriate in all circumstances, however, and one or more Funds may participate in such investments on different and potentially less favorable terms than other participants if LBC deems such participation as being otherwise in the best interests of the participating Funds, subject to the terms of the applicable Governing Documents. This may have an adverse impact on one of the participating Funds.

In addition, a Fund may lend to a borrower that competes with, is a customer of or a service provider or supplier to another Fund or one of its portfolio investments. This practice may give rise to certain conflicts of interest. First, a Fund or its portfolio investment may take actions for commercial reasons that have adverse consequences for another Fund or its portfolio investment, such as seeking to increase its market share at the expense of a portfolio company (as a competitor), withdrawing business from a portfolio company in favor of a competitor that offers the same product or service at a more competitive price (as a customer), increasing prices in lock-step with other enterprises in the industry (as a supplier) or commencing litigation against a portfolio company (in any capacity). Secondly, a Fund may obtain information while dealing with its portfolio investments that it is prohibited from acting on or disclosing to another Fund or its portfolio investments as a result of confidentiality requirements or applicable law, even though such action or disclosure would be in such other Fund's or portfolio company's interests. In addition, to the extent not restricted by confidentiality requirements, LBC will apply the experience obtained by managing a Fund to benefit other Funds. The Funds are under no obligation to take into account the interests of another Fund when advising their portfolio investments.

## **Item 12. Brokerage Practices**

Selection of Broker-Dealers – LBC does not maintain a traditional securities trading desk or regularly engage in the trading of publicly-traded securities. If LBC does trade, LBC will abide by its best execution policy. LBC's investment authority with respect to any Fund is subject to the investment objectives, guidelines and/or conditions set forth in the Fund's Governing Documents. The Fund's Governing Documents generally grant LBC discretion over the selection and number of securities or investments to be bought or sold for that Fund.

The Funds generally invest in privately negotiated transactions where the terms of such transactions are determined in negotiations between LBC and the counterparty. LBC seeks to have all its privately negotiated transactions executed in the best interest of its participating Funds, considering various factors such as the cost, size, market activity, structure of the transaction and competency of the broker-dealer. If LBC retains a broker-dealer or investment bank with respect to a privately negotiated transaction, the costs will be borne by the relevant Funds and/or portfolio investments. In doing so, LBC would consider the capabilities with respect to the type of transaction being contemplated, the commission or fees charged, the reputation of the firm being considered, and responsiveness to requests for information. Thus, LBC generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not necessarily pay the lowest commission or fee for such services. If LBC were to trade in publicly traded securities, the firm would take reasonable steps to ensure that the broker or dealer utilized is reliable and that the terms and circumstances of each transaction are the best available on the relevant market at the time of execution for transactions of the same size and nature. Additionally, LBC will perform post-trade reviews of publicly traded securities transactions.

Allocation of Investment Opportunities – LBC's policy is to allocate investment opportunities among its



Funds in a fair and equitable manner, consistent with its fiduciary obligations. LBC does not guarantee any Fund the right to invest in any transaction. Each Fund and its corresponding parallel Fund(s), if applicable, will be considered independent from any other Fund. All investment decisions will be implemented from the perspective of only that Fund.

LBC will evaluate a decision to acquire or dispose a potential investment on behalf of each Fund based the Allocation Factors which include but are not limited to the following:

- Expected investment holding period or time to maturity;
- Seniority of the investment in the capital structure;
- Such Funds' investment guidelines, objectives and strategy and industry/vertical concentration or other applicable diversification requirements;
- Financials of the underlying borrower (*i.e.*, adjusted EBITDA);
- Investment rating of the investment, as applicable;
- Size concentration (investment relative to overall size of the Fund, *e.g.*, whether the investment is too large or small for the Fund);
- Minimum yield/return expectations with respect to the investment;
- Industry, geographic, customer or other concentration factors;
- Ability to obtain requisite leverage, as applicable;
- Lien priority restrictions;
- Alternative investments when Available Purchasing Capacity is limited;
- Any legal, tax, and regulatory matters related to such Funds;
- Investment period, reinvestment period and term limitations related to such Fund;
- Remaining life of a Fund; and
- Any other obligations, restrictions or limitations contained in the Fund's applicable Governing Documents or other circumstances as determined by LBC.

These allocation factors form the basis for the allocation of investment opportunities among eligible Funds.

LBC will implement appropriate allocation policies and procedures to ensure that:

- Funds are treated fairly over time with regards to the acquisition or exiting of investment holdings,
- Investment opportunities are allocated among Funds at arm's length, subject to such Fund's Governing Documents;
- Accurate records of allocations are maintained; and
- All known conflicts of interests in its allocation and implementation practices are addressed by disclosing any conflicts as required by law or as required in each Fund's Governing Documents

Allocation decisions will be documented, prior to the investment closing, on an internal allocation document and such documentation will be maintained in accordance with LBC's Maintenance of Books and Records Policy. For more information regarding how LBC aggregates investment opportunities to its Funds or how co-investments with LBC and any related parties are addressed, please see Item 10.

Soft Dollars – LBC does not participate in or accept any soft dollar benefits or have any commission sharing arrangements or directed brokerage programs.

### **Item 13. Review of Accounts**

Review and Monitoring of Funds – LBC monitors each Fund’s investment on a regular basis through an asset management and loan-servicing program designed to track a borrower’s financial and operating performance and its ongoing liquidity. LBC’s research team will augment monitoring by continuing to provide industry-related research for each investment. LBC requires detailed financial reports and operating information from its investments on a regular basis and conducts routine reviews and quantitative analyses of each investment. Depending on the structure of a specific investment, LBC may have board representation or board observation rights.

Additionally, all investments will be assigned to a portfolio manager who will be responsible for maintaining communication with the borrower’s management teams, senior lenders and equity owners. Formal portfolio review meetings will be held at least quarterly with LBC’s Investment Committee, or more frequently on an as-needed basis to review or approve structural changes for an existing investment. Further, investments structured in conjunction with the companies’ senior or revolving lenders will commonly require the senior or revolving lender to share with Fund’s its required monitoring and reporting received by the borrower.

Quarterly asset fair valuations, including permanent write-downs, are reviewed by LBC’s Valuation Committees on a quarterly basis pursuant to its Valuation Policy, in accordance with FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures.

Reports to Investors – Fund investors are generally provided with: (i) annual audited financial statements of such Fund; (ii) quarterly unaudited financial statements, capital statements and other information regarding such Fund’s investments and performance; and (iii) other such information as is necessary for the preparation of tax returns. In addition, LBC holds an annual investor meeting to review the status of each Fund during the term of the Fund.

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

LBC does not receive any compensation or economic benefit (*i.e.*, sales awards or monetary prizes) from a third-party person or entity that is not a client for advisory services; however, LBC will on occasion receive transaction fees, directors’ fees, supervisory fees, acquisition and loan fees, and break-up, topping and other similar fees (if any) in connection with a Fund’s investments. To address this potential conflict, these fees generally are paid pro rata to the Fund or will offset the Management Fees as described in Item 5 and as disclosed in the Governing Documents, with the remaining fee paid pro rata to Co-investor or LBC depending on the relevant agreements or structure. Such fees are addressed in greater detail in Item 5.

Since LBC (or its affiliates) in some instances receive syndication fees or other compensation in respect of the portion of an investment made by Co-Investors and, because LBC is not required to share such compensation with the Funds, LBC has an incentive to increase the allocation to Co-Investors relative to the Funds. Such conflicts are addressed in Item 10.

LBC has entered into (and will enter, in the future, into) solicitation, placement or consulting arrangements pursuant to which LBC will compensate third parties for Fund investor referrals. With respect to investors that are referred by a third-party, a placement fee will be paid by LBC and not any Fund, as agreed upon by the terms of the agreement. These types of arrangements are disclosed to affected investors before such investors make an investment in the relevant Fund to inform such investors that the solicitor or consultant



can have an incentive to favor sales of interest in one kind of investment over the sales of interests in other types of investments.

#### **Item 15. Custody**

LBC is deemed to have custody of client assets by virtue of its status as general partner to the Funds. LBC complies with the Advisers Act custody rules in the following manner: each Fund (i) is subject to audit by an independent accountant registered with the Public Company Accounting Oversight Board, at least annually; (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all investors within 120 days of the end of its fiscal year; and (iii) upon liquidation, will distribute its audited financial statements to all investors promptly after the completion of such audits. Such audits will include any funds and certificated securities that, as required by applicable law, are placed in custody with a qualified custodian.

#### **Item 16. Investment Discretion**

Investment advice is provided solely to the Funds, subject to the direction and control of LBC and its affiliates, and not individually to the investors in the Funds. Investment restrictions or limitations for the Funds, if any, will generally be established in each of the Fund's Governing Documents. In addition, as noted in Item 4, LBC and the Funds have entered (and will enter in the future) into agreements, or "side letters," with investors whereby such investors will have certain rights, including the right to opt-out of particular investments.

#### **Item 17. Voting Client Securities**

LBC's investment strategy and portfolio composition generally does not include investments in publicly traded securities with any such voting rights, such as common stock. However, to the extent that any LBC Fund would hold such voting securities, LBC will have the sole authority to direct the voting of such securities. When voting securities, LBC will vote proxies on a case-by-case basis in a manner that is determined to be in the best interest of each Fund by the firm's officers and/or senior employees. LBC will consider relevant factors, which will include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity, and customary industry and business practices. A copy of LBC's proxy voting policies, procedures and voting record are available upon request from LBC's CCO, Lily Wicker, who may be contacted at the address noted on the front cover of this Brochure.

#### **Item 18. Financial Information**

LBC does not require or solicit prepayment of fees six months or more in advance. The firm is not subject to any financial condition that would likely impair its ability to meet contractual commitments to its Funds.

#### **Item 19. Requirements for State Registered Advisers**

The Advisers are not registered with any State as an investment adviser.

