

## Item 1: Cover Page

---



285 Riverside Avenue, Suite 200  
Westport, CT 06880

p: (203) 652-8250

f: (203) 716-9828

[www.balancepointcapital.com](http://www.balancepointcapital.com)

### PART 2A OF FORM ADV (THE “BROCHURE”)

March 31, 2023

This brochure provides information about the qualifications and business practices of Balance Point Capital Advisors, LLC (“Balance Point”, “Investment Adviser” or “Investment Manager”). If you have any questions about the contents of this brochure, please contact us at 203-652-8262 or [ameltzer@balancepointcapital.com](mailto:ameltzer@balancepointcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

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

## Item 2: Material Changes

---

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

Item 4, was updated to include the number of investment professionals as of December 31, 2022. We removed Lance Sauerteig as he is no longer a supervised person of, or involved in the management of, Balance Point.

Item 4, Advisory Business, has been updated to amend discretionary assets under management;

Item 8, has been updated with the addition of Financial Institution Risk, Distress Events

Item 10, has been updated to remove disclosure on Lance Sauerteig's operations with BLS Strategic Capital.

Edits have been made throughout the Brochure in an effort to clarify defined terms and to update certain references.

## Item 3: Table of Contents

---

Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation.....	5
Item 6: Performance-Based Fees and Side-By-Side Management.....	7
Item 7: Types of Clients .....	8
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9: Disciplinary Information .....	24
Item 10: Other Financial Industry Activities and Affiliations.....	24
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading....	25
Item 12: Brokerage Practices .....	37
Item 13: Review of Accounts .....	38
Item 14: Client Referrals and Other Compensation .....	38
Item 15: Custody .....	39
Item 16: Investment Discretion.....	39
Item 17: Voting Client Securities .....	39
Item 18: Financial Information .....	39

## Item 4: Advisory Business

---

### Introduction

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

Balance Point provides investment management services to advisory clients, which are privately offered investment funds, including both U.S. domiciled vehicles and non-U.S. domiciled investment vehicles for non-U.S. investors. The funds primarily invest in debt and equity capital in select lower middle market companies. Balance Point takes a long-term, partnership approach to investing and is committed to building lasting relationships with private equity sponsors, management teams and intermediaries. The Firm generally targets companies with EBITDA between \$3 million and \$30 million and typically invests \$10 million to \$40 million per transaction. The Firm has ten investment professionals, including three principals who have worked together for over a decade, Seth Alvord, Justin Kaplan and Adam Sauerteig.

Balance Point Capital Advisors, LLC is 76.5% owned by BPCA Management, LLC and 23.5% owned by Nassau BPC Holdings, LLC. Seth Alvord and Justin Kaplan own 88% and are Managing Members of BPCA Management; the remaining interest is owned by Balance Point employees.

### Advisory Services

Balance Point currently provides discretionary investment management services to three Small Business Investment Company (“SBIC”) funds, Balance Point Capital Partners, L.P., closed in 2011, Balance Point Capital Partners II, L.P., closed in 2015, and Balance Point Capital Partners IV, L.P., closed in 2020 (collectively, the “SBIC Funds”) as well as two non-SBIC institutional funds, Balance

Point Capital Partners III, L.P. (“BPCP III”) and Balance Point Capital Partners V, L.P. (“BPCP V”) whose interests are offered only on a private-placement basis. Additionally, Balance Point provides discretionary investment advisory services to Connecticut Growth Capital, LLC (“CGC”). The Managing Member of CGC is Balance Point Capital CT Managers, LLC and the investment advisor to CGC is Balance Point Capital CT Advisors, LLC. For purposes of this brochure, the SBIC Funds, BPCP III, BPCP V and CGC shall be collectively referred to as the “Funds.”

Balance Point does not generally tailor its advisory services to the needs of individual investors. Balance Point provides its advisory services to the Funds in accordance with the investment objectives, investment guidelines and restrictions set forth in the relevant Fund’s organizational and offering documents and as further described below under Item 8. The general investment guidelines and restrictions applicable to any particular Fund are negotiated and fixed at the time that the particular Fund is formed, although there may be subsequent revisions with the consent of a Fund’s investors. Seth Alvord and Justin Kaplan comprise the investment committee for the SBIC Funds as well as for BPCP III and CGC. For BPCP V, the investment committee is comprised of Seth Alvord, Justin Kaplan, and Adam Sauerteig. The investment committee of all the Funds requires unanimous approval for each investment.

Prior to investing in a Fund, prospective investors should review the Fund's Offering Documents to confirm the suitability of an investment in a Fund based on the investor's particular circumstances.

### **Assets Under Management**

Balance Point provides discretionary investment advisory services to the Funds and has discretionary management authority and responsibility over their assets.

As of December 31, 2022, Balance Point managed approximately \$1,541,869,899 of all client assets on a discretionary basis. Balance Point does not manage any Client assets on a non-discretionary basis and therefore does not have any non-discretionary assets under management. This Brochure generally includes information about the Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only. This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. In the event any terms or provisions of any of the Fund's respective offering documents conflicts with the information contained in this Brochure, such Fund's offering documents shall control.

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

---

Balance Point is generally compensated for advisory services through management fees. The calculation of fees payable by a Fund is complex and investors should carefully review specific information about each Fund's fees and expenses as provided in each Fund's Offering Documents.

## The Funds

Balance Point generally charges each Fund an annual management fee based on either (i) the aggregate invested cost of all investments of the Fund or (ii) the committed capital to the Fund, based on the applicable Fund's Limited Partnership Agreement.

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

## **Performance Fee**

In addition to the Management Fee, certain Funds may allocate a portion of their distributable proceeds to an affiliate (the "Performance Fee"). The Performance Fee is subject to the achievement of a specified cumulative annual return, compounded annually on the amount of the investor's unreturned capital contributions, as of the date of determination ("Preferred Return"). The Performance Fee will be paid pursuant to the Fund's respective Limited Partnership Agreement. As certain other provisions may apply, investors are urged to review the relevant Fund's Limited Partnership Agreement for specific information related to the calculation and payment of a Performance Fee.

## **Other Fees and Expenses**

As more fully described in the Funds' offering and organizational documents, Funds may reimburse Adviser or an affiliate for certain fees and expenses. A Fund will generally pay: (i) legal, accounting and third-party consulting fees for services rendered to or incidental to a Fund, its management and activities; (ii) taxes payable by a Fund; (iii) costs and expenses associated with meetings by

and between the limited partners, general partner, and/or committees of a Fund; (iv) costs and expenses associated with reporting and other communications with limited partners; (v) insurance and indemnification costs and expenses; (vi) organizational expenses; (vii) interest and other expenses relating to any Fund indebtedness; (viii) dues payable to trade associations; (ix) bonding expenses; and (x) all extraordinary fees, costs and expenses. In addition, the SBIC Funds will generally pay: (i) examination fees payable to SBA; (ii) SBA commitment, reservation, custodian and other fees; and (iii) fees and expenses incurred in connection with reserving, using or repaying SBA Leverage.

Balance Point or its affiliates may also receive certain other fees from portfolio companies that are required to be shared with its Funds including transaction fees, break-up fees, commitment fees, termination fees, closing fees, directors' fees, origination fees and other similar fees, payments or compensation. All such fees (net of unreimbursed expenses received) reduce the Management Fee payable on a dollar-for-dollar basis as set forth in each Funds' Limited Partnership Agreement.

### **Allocation of Fees, Costs, and Expenses among Multiple Funds**

Balance Point may incur, from time to time, fees, costs, and expenses on behalf of one or more Funds. To the extent that such fees, costs, and expenses are incurred for the account or for the benefit of one or more Funds, such Funds will typically bear an allocable portion of any such fees, costs, and expenses (subject to the terms of the applicable Governing Documents of the Funds).

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

---

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

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

exposures tend to be similar across the Funds, subject to variations due to Fund guidelines.

## Item 7: Types of Clients

---

Balance Point provides investment advice to the Funds. Balance Point may, in the future, provide investment advice to other funds (i.e., investment partnerships or other investment entities formed under domestic or foreign laws and operated as private funds excepted from the definition of investment company under the Investment Company Act of 1940, as amended) or to individual advisory clients (or separately managed accounts). Balance Point's current and prospective investors and prospective advisory clients typically include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and generally include, directly or indirectly, principals or other employees of Balance Point and its affiliates. Generally, current and prospective investors and prospective advisory clients must be (i) "accredited investors" within the meaning of Regulation D under the Securities Act of 1933, as amended, and (ii) "qualified purchasers" within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act") or qualified knowledgeable Balance Point personnel. Prospective investors or advisory clients may be required to meet additional suitability requirements, and minimum investment commitments are generally established for investors and advisory clients. The minimum investment amount, if any and as applicable, and other criteria for investments in Funds are set forth in the relevant Offering Documents.

However, Balance Point has discretion to permit investments below the minimum amounts set forth in the offering documents of the respective and prospective funds. In addition, the Adviser and/or the relevant Fund's general partner, managing member, or manager may enter into separate agreements, commonly referred to as "side letters," or similar agreements with certain investors pursuant to which certain investors are granted specific rights, benefits or privileges. The side letters may have the effect of establishing preferential rights under, altering, or supplementing the terms of, Offering Documents of the Fund with respect to such investor, in a manner more favorable to such investor than those applicable to other investors in the Fund. These rights, benefits or privileges are not always made available to all investors nor in some cases are they required to be disclosed to all investors. The disclosure and extension of any such rights, benefits or privileges are governed by the Funds' Offering Documents.

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

---

### Investment Strategy



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

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

- Strong and committed management team with relevant knowledge and industry expertise;
- Sustainable market position with meaningful barriers to entry;
- Attractive loan to value coverage;
- Annual revenue between \$10 million and \$150 million;
- Annual EBITDA between \$5 million and \$30 million;
- Strong free cash flow generation capabilities, including low capital investment requirements; and
- Appropriately capitalized balance sheets with leverage levels at or below typical industry norms.

## Methods of Analysis

All investment professionals share in the responsibility for sourcing potential investment opportunities for Balance Point. Each investment professional has his own approach to sourcing, but generally deals are sourced from the Firm's network of private equity and M&A contacts including, but not limited to, private equity sponsors, investment bankers, senior and subordinated lenders and co-investors, industry executives and other intermediaries (accountants, lawyers, etc.). After an investment professional sources a potential investment opportunity and has determined at a high level that it is of interest, any available information regarding the proposed transaction is circulated to all of the Firm's investment professionals, including all of the members of Balance

Point's Investment Committee, for review. Approval from two out of three of the members of the Investment Committee is required for additional time and resources to be allocated to a further investigation of a potential investment opportunity. Potential investment opportunities that fail to receive the required approval for further investigation are turned down. Assuming a potential investment opportunity is approved for further investigation, a transaction evaluation team is established which is generally comprised of at least two Partners, at least one of whom is a member of the investment committee, and an appropriate level of supporting investment professionals (typically a total of three to four people make up a transaction evaluation team). Following the initial approval by the Investment Committee to conduct additional investigation of the opportunity, an introductory conference call or meeting is scheduled with the potential portfolio company's management team to get an overview of the business and the transaction. If there is continued interest in the potential investment opportunity following this initial management meeting, a non-binding indication of interest is typically issued. Each member of the Investment Committee is responsible for reviewing and approving every non-binding indication of interest prior to its submission to a potential portfolio company.

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

Balance Point requires that a formal Investment Committee memorandum be prepared for each investment opportunity by the internal evaluation team, which includes, among other things, an overview of the potential investment target and the proposed transaction, the findings of the due diligence investigation of the transaction team and third-party advisors including key highlights and risk factors, assessment of the management team and equity and debt partners in the transaction, and the financial modeling and return analyses. Investment Committee meetings to approve or

reject potential investment opportunities are scheduled on an ad hoc basis. Investment Committee members are also kept informed of the developments throughout the due diligence process during the weekly partnership meetings. For investment opportunities that successfully complete the due diligence process, there is a final Investment Committee meeting to formally approve the investment. Subject to the Investment Committee's unanimous approval, the execution team seeks to close the investment as quickly as practical.

## Risk Factors

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

### *Dependence on the General Partner and the Investment Manager*

The Limited Partners will have no right or power to participate in the management of the Fund. Accordingly, no investor should purchase any interest in the Fund unless it is willing to entrust all aspects of management of the Fund to the General Partner and the Investment Manager. The Limited Partners will be relying on the management expertise of the General Partner, the Investment Manager and the Principals in identifying, acquiring, administering and disposing of investments by the Fund. The Limited Partners will not receive detailed financial information issued by portfolio companies in which the Fund invests, which will be available to the General Partner and the Investment Manager. In addition, if for any reason any of the Principals should cease to be involved in the management of the Fund, suitable replacements may be difficult to obtain, with the result that the performance of the Fund may be adversely affected. In addition, the Investment Manager manages existing investment funds and accounts and expects to manage new investment funds and accounts to be established during the term of the Fund that will require the time and resources of the Principals and other investment professionals of the Investment Manager.

### *Identification of Investments*

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

### *Illiquid Investments*

The portfolio companies in which a Fund invests will be comparatively small companies which

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

#### *No Assurance of Profits*

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

#### *No Market for Interests; Limited Transferability*

An investment in the Fund requires a long-term commitment, with no certainty of return. The Interests have not been registered under the Securities Act or the securities laws of any state or other jurisdiction and cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of the Interests under the Securities Act or other securities laws will ever be effected. There is no public market for the Interests, and none is expected to develop. A Limited Partner generally will not be permitted to assign or otherwise transfer its Interest without the prior consent of the General Partner, which may be withheld by the General Partner in its sole discretion except in limited circumstances. Consequently, investors may not be able to liquidate their Interests prior to the termination of the Fund and must be prepared to bear the risks of owning their Interests for an extended period of time. Accordingly, the Interests should only be purchased by persons that are able to bear the risk of their investment for an indefinite time.

#### *Investments in U.S. Lower Middle Market Companies*

The Fund will focus on investing in debt and equity securities of U.S. lower middle market companies, which may involve a substantial degree of risk. The Fund could lose its entire investment in a portfolio company in the event of a default. Generally, little public information exists about these companies, and the Fund relies on the ability of the Investment Manager's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If the Investment Manager is unable to uncover all material information about these companies, it may not be able to make a fully informed investment decision, and the Fund may lose money on the Fund's investments. Middle-market companies generally have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. Middle-market companies may have limited financial resources, may have difficulty accessing the capital markets to meet future capital needs and may be unable to meet their obligations under their debt securities that the Fund holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Fund's realizing any guarantees the Fund may have obtained in connection with the Fund's investment. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well

as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the Fund's investment and, in turn, on the Fund. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. In addition, the Fund's executive officers, directors and the Investment Manager may, in the ordinary course of business, be named as defendants in litigation arising from the Fund's investments.

### *Investments in Equity Securities*

The Fund may hold equity securities or, subject to the limitations set forth herein, derivatives issued thereon. Such equity securities and derivatives may take various forms, including, but not limited to, common stock, preferred stock, warrants, convertible securities, equity options and other equity or hybrid equity securities. Equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the directors of the issuer, out of the issuer's income or other assets available, if any, after making interest, dividend and any other required payments on more senior securities of the issuer. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. In the event of a liquidation of the issuing company, holders of convertible securities would be paid after the company's creditors but before the company's common stockholders. Consequently, the issuer's convertible securities generally may be viewed as having more risk than its debt securities, but less risk than its common stock. In general, options, warrants, stock purchase rights and other similar instruments are securities or instruments granting the right to or otherwise permitting, but not obligating, their holders to subscribe for equity securities, and they do not represent any rights in the assets of the issuer. As a result, options, warrants, stock purchase rights and other similar securities or instruments may be considered more speculative than other types of equity investments.

### *Warrants*

The Fund may hold warrants or rights. Warrants and rights generally give the holder the right to receive, upon exercise, a security of the issuer at a stated price. Risks associated with the use of warrants and rights are generally similar to risks associated with the use of options. Unlike most options, however, warrants and rights are issued in specific amounts, and warrants generally have longer terms than options. Warrants and rights are not likely to be as liquid as exchange-traded options backed by a recognized clearing agency. In addition, the terms of warrants or rights may limit the Fund's ability to exercise the warrants or rights at such time, or in such quantities, as the Fund would otherwise wish.

### *Investments in Public Companies*

Although the Fund intends to make investments primarily in private companies, the Fund may invest a percentage of its capital commitments in public companies. Additionally, some of the Fund's portfolio companies may become public companies following an initial public offering, or some of the Fund's portfolio companies may be acquired by publicly traded companies in exchange for consideration consisting in whole or in part of securities of such publicly traded companies. Investments in public companies may subject the

Fund to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities (or securities of other companies) at certain times (including due to the possession by the Fund or its representatives of material non-public information), increased likelihood of shareholder litigation against such companies' board members, which may include Investment Manager personnel, regulatory action by governmental bodies and increased costs associated with each of the aforementioned risks.

### *Investment in Debt Securities Generally*

Debt securities in general are subject to various risks including (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the borrower may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for (or actual) insolvency of the borrower of such debt during periods of economic downturn, (iv) that the borrower is often a small or mid-size company serving only local or regional interests, (v) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received and (vi) if subordinated, subordination to the prior claims of other debt or senior lenders. Debt instruments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for debt instruments and adversely affect the value of outstanding debt and the ability of the borrowers thereof to repay principal and interest.

Debt instruments are subject to general market and credit and interest rate risks, as described in more detail in "Credit and Interest Rate Risks of Debt Securities" below.

### *Credit and Interest Rate Risks of Debt Securities*

The debt investments in which the Fund is expected to invest are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default on the payment of principal and/or interest owed to the Fund. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt investment may affect its credit risk. Credit risk may change over the life of the investment. Debt investments that are rated by rating agencies (potentially including any investments acquired by the Fund through syndicated debt markets) are often reviewed and may be subject to downgrade, which generally results in a decline in the market value of such instrument. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt investment directly (particularly in the case of investments in which the rates are adjustable) and indirectly (particularly in the case of fixed rate investments). In general, rising interest rates will negatively impact the price of a fixed rate debt investment and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in investments with uncertain payment or prepayment schedules.

### *Future use of LIBOR*

The Fund's payment obligations, financing terms and investments in certain instruments (including debt

securities and derivatives) may be tied to and/or impacted by floating rates, such as the London Interbank

Offered Rate (“LIBOR”). In 2017, the Chief Executive of the UK Financial Conduct Authority (“FCA”) announced the FCA’s intention to cease compelling banks to provide the quotations needed to sustain LIBOR from the end of 2021. The administrator of LIBOR ceased publication of most LIBOR settings on a representative basis at the end of 2021 and is expected to cease publication of a majority of U.S. dollar LIBOR settings on a representative basis after June 30, 2023. In addition, global regulators have announced that, with limited exceptions, no new LIBOR-based contracts should be entered into after 2021. The transition away from LIBOR may lead to increased volatility and illiquidity in markets that rely on LIBOR and may adversely affect the Fund’s performance. Transition away from LIBOR as a benchmark reference for interest rates may affect the cost of capital and may impact the value of floating rate instruments based on LIBOR, which may result in additional costs or negatively affect the Fund’s liquidity, results of operations and financial condition.

Industry participants continue to consider alternatives to LIBOR, and it is not certain what the prevailing reference rate will be following USD LIBOR’s scheduled discontinuation in June 2023. As an alternative to LIBOR, the U.S. Federal Reserve has recommended replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate (“SOFR”), a new index calculated by short-term repurchase agreements, backed by U.S. Treasury Instruments. It remains unclear whether alternative reference rates such as SOFR will attain full market acceptance as replacements for LIBOR. Markets are developing in response to these new rates but questions around liquidity in new rates and how to appropriately adjust these rates to eliminate any economic value transfer at the time of transition remain a significant concern. The effect of any changes to—or discontinuation of—LIBOR will vary depending on, among other things, existing fallback provisions in individual contracts and whether, how, and when industry participants develop and widely adopt new reference rates and fallbacks for both legacy and new products and instruments.

It is not possible to predict all potential effects of these changes on U.S. and global credit markets. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur at any time.

### *Convertible Securities*

The Fund may invest in convertible securities, which are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with

investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on the Fund's ability to achieve its investment objective.

#### *Credit Risk and Nature of Investment in Secured Debt*

The investments of the Fund are expected to include secured debt, which involves various degrees of risk of a loss of capital. While loans originated by the Fund are intended to be over-collateralized, the Fund may be exposed to losses resulting from default, foreclosure and bankruptcy. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. The Fund cannot guarantee the adequacy of the protection of the Fund's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Fund cannot assure that claims may not be asserted that might interfere with enforcement of the Fund's rights.

When the Fund extends first lien senior secured, unitranche, second lien and other forms of subordinated or semi-subordinated loans, it will generally take a security interest in the available assets of the borrowers, including the equity interests of their subsidiaries. The Fund expects the security interest to help mitigate the risk that it will not be repaid. However, there is a risk that the collateral securing the Fund's loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the borrower's business and market conditions, including as a result of the inability of the borrower to raise additional capital. Also, in the case of first lien loans, the Fund's lien may be subordinated to claims of other creditors and, in the case of second lien loans, the Fund's lien will be subordinated to claims of other creditors. In addition, deterioration in a borrower's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that the Fund will receive principal and interest payments according to the loan's terms, or at all, or that the Fund will be able to collect on the loan should the Fund be forced to enforce its remedies.

#### *Credit Ratings*

The ratings that may be assigned by various credit rating agencies to loans or other debt instruments that may



be acquired by the Fund reflect only the views of those agencies. Explanations of the significance of ratings should be obtained from such credit rating agencies. No assurance can be given that ratings assigned will not be withdrawn or revised downward if, in the view of such credit rating agency, circumstances so warrant. Ratings may be wrong or ratings agencies may not adjust their ratings in real time.

### *Unsecured Debt Investments Generally*

The Fund may make unsecured debt investments, meaning that such debt investments will not benefit from any interest in the assets of such companies and as such generally have greater credit, insolvency and liquidity risk than is typically associated with secured obligations. Liens on such borrowers' assets, if any, will secure the applicable borrower's obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the borrower under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before the Fund. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy the Fund's unsecured obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured obligations, then the Fund's unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the borrower's remaining assets, if any.

### *Mezzanine Investments*

The Fund is expected to make mezzanine investments that are unsecured and/or subordinate to other obligations of the portfolio company, all or a significant portion of which may be secured. The holders of obligations secured by liens on the relevant borrower's assets will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before the Fund. Mezzanine investments often reflect a greater possibility that adverse changes in the financial condition of the borrower or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings), or both, may impair the ability of the borrower to make payment of principal and interest. Mezzanine investments often are issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they previously had operated. Some borrowers may be highly leveraged, and their relatively high debt-to-equity ratios may create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. Overall adverse conditions in the below-investment-grade-bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity.

### *Stated Maturity of Debt Investments*

The Fund is expected to actively invest in portfolio investments through the end of the Investment Period and, as such, the stated maturity of debt investments may exceed the term of the Fund. The Fund is expected to generally seek to make debt investments where it expects that the principal amount of such instrument will be paid prior to the stated maturity of such instrument, provided, however, that there is no guarantee that borrowers will repay such obligations prior to the stated maturity date, or that the instrument will not be amended to extend the stated maturity date or otherwise modify the terms. Thus, the Fund may not recoup proceeds from

such portfolio investments until after the term of the Fund has expired (subject to permitted extensions of the term) and is in liquidation. Further, there is no guarantee that the Fund will be able to liquidate equity portfolio investments prior to expiration of the term of the Fund.

### *Prepayment Risk*

Debt investments may be pre-payable at any time by the borrower, some of them at no premium to par. Prepayment on debt investments may be caused by a variety of factors which are difficult to predict. Whether a debt investment is prepaid will depend both on the continued positive performance of the portfolio investment and the existence of favorable financing market conditions that allow such portfolio investment the ability to replace existing financing with less expensive capital. As market conditions change frequently, it is unknown when, and if, this may be possible for any given portfolio investment. Having a debt investment prepaid may reduce the achievable yield for the Fund if the capital returned cannot be invested in transactions with equal or greater expected yields, which could have a material adverse effect on the Fund's business, financial condition and results of operations.

### *Portfolio Company Ability to Refinance*

A material portion of the Fund's assets are expected to consist of debt investments for which most or all of the principal is due at maturity. The ability of the obligor(s) under such debt investment to make such a large payment upon maturity typically depends upon its ability to refinance the debt investment prior to maturity. The ability of an obligor to consummate a refinancing will be affected by many factors, including the availability of financing at acceptable rates to such obligor, the financial condition of such obligor, the marketability of the collateral (if any) securing such loan, the operating history of the obligor and related businesses, tax laws and prevailing general economic conditions. Additionally, lower middle market obligors generally have more limited access to capital and higher funding costs, may be in a weaker financial position, may need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from more traditional sources, such as commercial banks. Consequently, such obligor may not have the ability to repay the loan at maturity and, unless it is able to refinance such loan, it could default in payment at maturity, which could result in losses to the Fund and, indirectly, to the Limited Partner.

### *Loan Participations*

The Fund may invest in loans acquired through assignment or participations. In purchasing a participation, the Fund may only have a contractual relationship with the selling institution, and not the borrower. The Fund generally will have no right directly to enforce compliance by the borrower with the terms of any such loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. The Fund may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution. In the event of the insolvency of the selling institution, the Fund may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, the Fund may be subject to the credit risk of the selling institution as well as of the borrower.

### *Inflation Risk*

Inflation is a sustained rise in overall price levels. Moderate inflation is associated with economic growth, while high inflation can signal an overheated economy. Inflation risk is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money (i.e., as inflation increases, the values of the Fund's assets can decline). Inflation poses a "stealth" threat to investors because it reduces savings and investment returns. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets, particularly in emerging economies. Furthermore, wages, prices of inputs and borrowing costs increase during periods of inflation, which can negatively impact returns on investments.

Governmental efforts to curb inflation often have negative effects on the level of economic activity. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity. They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt to combat deflation with tax cuts and increased spending designed to stimulate economic activity. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and the Fund's investments may not keep pace with inflation, which may result in losses to the Fund. Further, certain countries, including the U.S., have recently seen increased levels of inflation and there can be no assurance that continued and more wide-spread inflation will not become a serious problem in the future and have an adverse impact on the Fund's returns. If inflation continues to increase, the real value of any Fund investments could decline and the interest payments on the Fund's borrowings, if any, may increase.

### *Originated Investments*

The Fund intends to seek to originate certain investments. Loan origination involves a number of particular risks that may not exist in the case of secondary debt purchases, including that when originating loans, the General Partner and/or the Investment Manager will generally have to rely more on its own resources and assessments to conduct due diligence of the borrower, which may be different or more limited than the diligence conducted for a broadly syndicated transaction involving an underwriter. Originators of loans may be entitled to certain rights and fees not available to secondary purchasers of loans. Loan origination may involve additional regulatory risks and expenses, given the requirement to hold a license for certain types of lending in some jurisdictions, which may be applicable to the Fund, the General Partner, the Investment Manager or their affiliates. Loan origination may involve additional regulatory risks given the requirement to hold a license for certain types of lending in some jurisdictions or additional disclosure requirements. In certain circumstances, originators of a loan may be subject to risks as an originator if the Fund has sold a participation to other persons.

### *Competitive Nature of the Funds' Business*

The business of a Fund is highly competitive. Some of a Fund's competitors may have greater

resources than such Fund. Such competition may result in fewer opportunities made available to a Fund and may impact the terms on which any such opportunities are made available.

### *Difficulty of Locating and Exiting Suitable Investments; Management Fee Due*

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

### *Diverse Investor Group*

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

### *Defaults by Investors May Affect a Fund*

If one or more Limited Partners fails to pay an installment of their Commitment to the Fund when due, the Fund may be forced to call additional capital from non-defaulting Limited Partners. A default by a substantial number of Limited Partners or by one or more Limited Partners who have made substantial Commitments could limit opportunities for investment diversification and could reduce returns to the Fund. In addition, if the capital contributions made by non-defaulting Limited Partners and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties including break-up fees for unconsummated transactions. In the event that a Limited Partner defaults, such Limited Partner may be subject to various penalties, including forfeiture of a portion of its Interest, as provided in the Partnership Agreement.

### *Other Activities of Principals*

The principals of Balance Point will devote enough of their business time necessary for the operation of the Funds. They are not, however, prohibited from (i) participating in pre-existing business ventures, commitments or engagements or in other business ventures that do not interfere

with their responsibilities to the Funds, or (ii) taking part in civic, community, or charitable endeavors. These activities are not expected to consume amounts of time which would interfere with the operations of the Funds in any material way. There are no guarantees, however, that circumstances will not arise in connection with these activities that could require significant time and attention from the principals of Balance Point.

#### *General Economic and Other Conditions*

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

#### *Uncertain Economic, Social and Political Environment*

Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund to execute its strategy. This may slow the rate of future investments by the Fund and, in certain cases, result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's investments.

#### *Global Health Risks*

Disease outbreaks that affect local economies or the global economy may materially and adversely impact our investment portfolios and/or our business. These types of outbreaks have the potential to cause severe decreases in core business activities such as manufacturing, purchasing, tourism, business conferences and workplace participation, among others. These disruptions also have the potential to lead to instability in the marketplace, including market losses and overall volatility. In the face of such instability, governments may take extreme and unpredictable measures to combat

the spread of disease and mitigate the resulting market disruptions and losses. In the event of a pandemic or an outbreak, there can be no assurance that we or our service providers will be able to maintain normal business operations for an extended period of time or will be able to retain the services of key personnel on a temporary or long-term basis due to illness or other reasons. The full impact of a pandemic or disease outbreaks is unknown, which could result in a high degree of uncertainty for potentially extended periods of time.

### *Climate Change and Natural Disasters*

Pandemics and epidemics, natural or environmental disasters, such as earthquakes, droughts, fires, floods, hurricanes, tsunamis and climate-related phenomena generally, have been and can be highly disruptive to economies and markets, adversely impacting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of the Fund's investments. Economies and financial markets throughout the world have become increasingly interconnected, which increases the likelihood that events or conditions in one region or country will adversely affect markets or issuers in other regions or countries. There may be significant physical effects of climate change, earthquakes, tsunamis and extreme weather events that have the potential to have a material effect on the Fund's business and operations. Physical impacts of climate change, earthquakes, tsunamis and extreme weather events may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, and extreme temperatures. As a result of the physical effects of climate change, earthquakes, tsunamis and extreme weather events, the Fund may be vulnerable to negative consequences, including the following: indirect financial and operational impacts from disruptions to the operations of the Fund's investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage, for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for the products and services of the investments; increased insurance claims and liabilities; increase in energy cost impacting operational returns; changes in the availability or quality of water or other natural resources on which the business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change; incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic disruptions arising from the foregoing. Additionally, market disruptions may result in increased market volatility, regulatory trading halts, closure of domestic or foreign exchanges, markets or governments, or market participants operating pursuant to business continuity plans for indeterminate periods of time. Accordingly, climate change, earthquakes, tsunamis, extreme weather events and man-made disasters may have a material adverse effect on the Fund's investments and activities. Further, market disruptions can (i) prevent the Fund from executing advantageous investment decisions in a timely manner, (ii) negatively impact the Fund's ability to achieve its investment objective, as well as the operations of the Fund, the General Partner and the Investment Manager, and (iii) may exacerbate the risks discussed elsewhere in this Memorandum, including political, social, and economic risks.

### *Cybersecurity Risk*

The Investment Manager, the Fund's service providers, and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Fund and/or the Limited Partners, despite the efforts of the Investment Manager and service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Fund and the Limited Partners. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Investment Manager, the Fund's service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Investment Manager's systems to disclose sensitive information in order to gain access to the Investment Manager's data or that of the Limited Partners. A successful penetration or circumvention of the security of the Investment Manager's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Fund, the Investment Manager or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for portfolio companies, which could have material adverse consequences for such portfolio companies, and may cause the Fund's investments to lose value.

### *Financial Institution Risk; Distress Events*

An investment in a Fund is subject to the risk that one of the Fund's banks, lenders or other custodians of some or all of the Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "Distress Event").

Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Balance Point, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit



Insurance Corporation (“FDIC”), in the case of banks, or the Securities Investor Protection Corporation (“SIPC”), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Balance Point to manage the Funds and their investments, and on the ability of Balance Point, any Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Fund to pay fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well the inability of a Fund to acquire or dispose of investments at prices that the relevant General Partner believes reflect the fair value of such investments and/or the inability of portfolio companies to make payroll, fulfill obligations and maintain operations. Although Balance Point expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. Many Financial Institutions require, as a condition to using their services or otherwise, that Balance Point and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with the Custodian, which heightens the risks associated with a Distress Event with respect to such Custodians. Although Balance Point seeks to do business with Custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Balance Point is under no obligation to use a minimum number of Custodians with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

## Item 9: Disciplinary Information

---

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Balance Point or the integrity of its management. The Firm has no legal or disciplinary events to disclose.

## Item 10: Other Financial Industry Activities and Affiliations

---

Balance Point Capital Advisors, LLC operates as a single advisory business together with its affiliates Balance Point Capital Managers, LLC, the general partner of Balance Point Capital Partners, L.P.; Balance Point Capital Managers II, LLC, the general partner of Balance Point

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

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

---

### Code of Ethics

The Firm has adopted a Code of Ethics (the "Code") as required by Rule 204A-1 under the Advisers Act. This Code sets forth the general fiduciary principles and standards of business conduct to which all of Balance Point's Access Persons, as described below and further defined in the Code, are subject. Balance Point's Code further sets forth the Firm's high standard of business conduct and fiduciary duty to its clients. An Access Person is a supervised person who has access to nonpublic information regarding clients' purchase or sale of securities, is involved in making securities recommendations to clients or who has access to such recommendations that are nonpublic. For the avoidance of doubt, Access Person includes, but is not limited to, all employees and officers of Balance Point.

Under the Code of Ethics, employees are required to, among other things, avoid taking inappropriate advantage of their position and conduct personal trading activities in such a way as to avoid conflicts of interest.

The Code is reasonably designed to prevent Access Persons from engaging in conduct prohibited by the Advisers Act. The Code establishes reporting requirements for such Access Persons and provides oversight, enforcement and recordkeeping provisions.

Employees must acknowledge the terms of the Code of Ethics annually, or as amended. The Code of Ethics includes, among other things, policies regarding personal trading by Balance Point employees and members of their immediate families ("access persons"). Under the Code of Ethics, access persons must report every account that they use for the trading of securities covered by the policy and have copies of periodic account statements provided to Balance Point's compliance department. In addition, access persons must pre-clear personal securities transactions in initial public offerings and private placements, including those in a Balance Point fund, with Balance Point's compliance department.

The Code includes policies and procedures for the review of quarterly securities transactions reports, as well as initial and annual securities holdings reports that must be submitted by the Adviser's Access Persons.

The Adviser has adopted policies designed to prevent insider trading activities. Under the Code, Access Persons are permitted to invest for their own accounts but are prohibited from engaging in certain transactions, including buying or selling securities of companies maintained on a restricted list. The use of a restricted list, pre-approval requirements and quarterly transaction reporting requirements are intended to help mitigate the misuse of inside information by Access. The Code further includes the Adviser's policy prohibiting the use of material non-public information.

A copy of the Code is distributed to each Access Person at the time of hire and annually thereafter. All Access Persons must acknowledge the terms of the Code initially upon hire as well as annually or as amended.

A copy of the Code of Ethics is available to any client or prospective client upon request by contacting Balance Point at 203-652-8262 or [ameltzer@balancepointcapital.com](mailto:ameltzer@balancepointcapital.com).

### Participation or Interest in Client Transactions

Balance Point and its related persons may have indirect beneficial interests in the securities owned by the Funds (through the General Partner entities) and will share in any profits and losses generated by the Funds' investments. Balance Point and its related persons are not permitted to have direct ownership in any portfolio investment of a Fund. Certain of the Firm's Access Persons have invested and/or may in the future invest in the Funds.

### Certain Potential Conflicts of Interest

Prospective investors should be aware that there may be occasions when the General Partner, the Investment Manager, the Principals and their affiliates will encounter potential conflicts of interest in connection with the Fund's activities. The following discussion enumerates certain potential conflicts of interest that should be carefully evaluated before making an investment in the Fund. The following is not intended as an exhaustive list of all potential conflicts. As the investment program of the Fund develops and changes over time, an investment in the Fund may be subject to additional and different actual and potential conflicts of interest. By acquiring an Interest, each investor will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest as disclosed in each Fund's Offering Memorandum.

### **Profits Not in Proportion to Contributed Capital**

The Commitment of the General Partner represents only a small portion of the Fund's aggregate Commitments. Distributions of portfolio profits to investors may be proportionally less than those corresponding to their aggregate Commitments, and distributions of portfolio profits to the General Partner may be proportionally greater than those corresponding to its Commitment.

### **Management Fee; Carried Interest**

The Management Fee payable by the Fund to the Investment Manager or an affiliate thereof and the carried interest that the General Partner will receive have not been established on the basis of an arm's-length negotiation among the Fund, the General Partner and the Investment Manager. The Management Fee is payable regardless of the performance of the Fund's investments. In addition, the existence of the carried interest creates an incentive for the General Partner to choose investments that may be riskier or more speculative than it would otherwise make in the absence of such performance-based compensation. Moreover, the terms of the carried interest could give the General Partner an incentive to make determinations regarding the timing and structure of realization transactions that are not consistent with the interests of the Limited Partners.

### **The General Partner and Limited Partners may have Disparate Tax Positions**

The tax consequences to the General Partner, and its beneficial owners, with respect to tax items realized by the Fund (including the tax rates applicable to income and gains and the extent to which tax items are deductible or otherwise result in a tax benefit) may be different than the tax consequences to the Limited Partners, and their beneficial owners, from such tax items. In such instances, the General Partner may have tax-related incentives not shared by the Limited Partners, including tax incentives relating to the types of activities engaged in by a portfolio company, the structure of investments made by the Fund, the manner (and timing) in which investments are disposed of, and the form, nature and timing of distributions made by the Fund to the Partners.

### **Diverse Investors**

The investors may have conflicting investment, tax, and other interests with respect to their investments in the Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments, the size of certain investors relative to other investors, and the timing of disposition of investments. As a consequence, different investment returns may be realized by different investors and conflicts of interest arise in connection with decisions made by the General Partner and the Investment Manager, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, particularly with respect to investors' individual tax situations. In addition, the General Partner and its affiliates

and employees may invest directly in the Fund. In selecting and structuring investments appropriate for the Fund, the General Partner and the Investment Manager will consider the investment and tax objectives of the Fund as a whole, not the investment, tax, or other objectives of any investor individually.

### **Management of the Fund**

During the Investment Period, or if earlier, such time as the Fund is “fully invested”, the Principals will devote the amount of business time and attention as specified in the Partnership Agreement to the Fund and its related entities, including prior investment funds managed by the Investment Manager or its affiliates. The Principals have potential conflicts in allocating management time, services and functions among the Fund and prior investment funds along with other investment funds managed by the Investment Manager or its affiliates. Further, the Investment Manager and its affiliates may in the future organize and manage one or more entities with objectives similar to or different than those of the Fund, including any of its successor funds. Some of these entities may have interests that will conflict with those of the Fund.

### **Other Funds**

The General Partner, the Investment Manager and their affiliates currently manage other private investment funds, and subject to certain limitations set forth in the Partnership Agreement, the General Partner, the Investment Manager or any of their respective affiliates may manage additional investment funds, managed accounts and other investment vehicles, each of which may be competitive with the Fund as described in “Summary of Principal Terms—Other Balance Point Funds”. Subject to the terms of the Partnership Agreement, the Fund will not have an exclusive right to prospective investments that meet the investment objectives and guidelines for the Fund and that are selected by or available to the Investment Manager or its affiliates or Other Balance Point Funds.

Conflicts arise in the allocation of investment opportunities between the Fund and Other Balance Point Funds. The General Partner and its affiliates will seek to allocate investment opportunities among the Fund and Other Balance Point Funds in a manner that, over a period of time, is fair and equitable, and initially, generally in proportion to the committed capital of such entities that are still making new investments. Any such allocation will generally take into account items as provided in “Summary of Principal Terms—Other Balance Point Funds”, including the amount of capital required for the investment, the nature of the security or the transaction, differences with respect to available capital, the size of the Fund and relevant Other Balance Point Funds, the remaining life and investment period of the Fund and relevant Other Balance Point Funds, differences with respect to investment objectives or current investment strategies, degree of exposure to the security or type of security in question, degree and nature of diversification, rating agencies’ ratings, differences in risk profile at the time the opportunity becomes available, the

potential transaction and other costs of allocating an opportunity among multiple entities, the source of the opportunity, whether a particular entity or account has an existing investment in the security in question or the issuer of such security, current and anticipated market and general economic conditions, potential conflicts of interest, such other limitations of the Fund and Other Balance Point Funds, and other factors the General Partner and/or its affiliates otherwise deem relevant.

Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. For example, in allocating an investment opportunity among the Fund and Other Balance Point Funds with differing fee, expense and compensation structures, the Investment Manager and its affiliates, including the General Partner, have an incentive to allocate investment opportunities to funds from which the Investment Manager and its affiliates, including the General Partner, derive, directly or indirectly, higher fees, compensation or other benefits. Notwithstanding the foregoing, the Investment Manager and General Partner will not allocate investment opportunities among the Fund and Other Balance Point Capital Funds based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any fund or (ii) the profitability of any fund.

While the General Partner and the Investment Manager will seek to manage such potential conflicts of interest in good faith, each Limited Partner acknowledges and understands that there may be situations in which the interests of the Fund with respect to a particular investment or other matter conflict with the interests of one or more Other Balance Point Funds, the General Partner, the Investment Manager or one or more of their respective affiliates. Subject to the provisions of the Partnership Agreement, on any matter involving a conflict of interest, the General Partner will seek to resolve such conflict in good faith and in a manner consistent with the Partnership Agreement. Each Limited Partner agrees that the activities of the Fund and/or any Other Balance Point Funds, the General Partner, the Investment Manager and their respective affiliates expressly authorized by the Partnership Agreement may be engaged in by the Fund and/or any Other Balance Point Funds, the General Partner, the Investment Manager or any such affiliate, as the case may be, in good faith and subject to the limitations therein, and will not be deemed a breach of the Partnership Agreement or any duty that might be owed by any such person or entity to the Fund or to any Partner at law or in equity.

In addition, subject to the terms of the Partnership Agreement, the Fund may invest in a portfolio company in which Other Balance Point Funds have already invested, or vice versa. In such case, the Fund and such Other Balance Point Funds may hold interests in different classes of securities in the portfolio company's capital structure, and the Fund's investment may be *pari passu*, senior or junior in ranking to an investment in such portfolio company held by one or more such Other Balance Point Fund. For example, it is possible that the Fund may invest in or originate debt securities of a portfolio company while such Other Balance Point Fund invests in other debt securities or equity securities of the same portfolio company. Also subject to the terms of the Partnership Agreement, the Fund may invest in a portfolio company in which the General Partner,

the Investment Manager, the Principals or any of their respective affiliates have a pre-existing interest. At all times, any such investments will only be made when determined by the General Partner (or the Investment Manager) to be in the best interests of each entity making the investment, and, in the instances of the Fund investing in a portfolio company in which an Other Balance Point Fund has already invested, or vice versa, at no time will any such investment be made by one fund with the objective to benefit in any way, directly or indirectly, the other fund. However, in any such circumstances, the Fund and any such Other Balance Point Fund may have different interests and investment objectives, including with respect to the targeted returns from the investment, the timeframe for disposing of the investment, and the manner in which to pursue a return on the investment, especially if the portfolio company becomes distressed and is unable to satisfy its obligations to all of its creditors. The General Partner, the Investment Manager or their respective affiliates may take actions with respect to an investment on behalf of such Other Balance Point Fund that adversely affects the Fund's corresponding investment. For example, certain Other Balance Point Funds may use longer-term leverage than the Fund, and to the extent an Other Balance Point Fund is required to sell an investment that is also held by the Fund in order to meet its debt repayment obligations, the Fund may be forced to also sell such investment at a lesser value than it may otherwise have realized if it were able to continue to hold the investment. If the Fund and an Other Balance Point Fund co-invest in an investment opportunity, the General Partner and its affiliates will use their reasonable discretion to allocate costs and expenses of both completed and failed portfolio investments that are subject to co-invest between the Fund and any such Other Balance Point Fund, in a fair and equitable manner as further described in Summary of Terms - Co-Investments by Limited Partners and Others.

Furthermore, each Partner acknowledges that it is possible that the Fund will make and/or hold an investment in an issuer in which partners, members, equity holders, controlling persons, directors, officers, employees, agents, representatives and advisors of the General Partner, the Investment Manager and/or one or more of their 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 the Fund and otherwise create conflicts of interest for the Fund. There can be no assurance that such other relationships and resulting restrictions will not adversely affect the investment activities of the Fund, including, for example, the timing of a potential investment decision. It is possible that such ownership and other relationships, or investment by the Fund, results in personnel or other agents of the Investment Manager or the General Partner, acquiring material non-public information or other confidential information in respect of a portfolio company. Such personnel or agents may not be free to share such information with the Fund, the Fund (and the General Partner and Investment Manager) may not be free to act upon any such information, and the possession of information by such persons may preclude the Fund from engaging in transactions that it might otherwise have undertaken.

## **Transactions Between Portfolio Companies of the Fund and Portfolio Companies of Other Balance Point Funds**

Portfolio companies of the Fund and portfolio companies of Other Balance Point Funds may engage in commercial transactions (including mergers and acquisitions) with one another from time to time as they determine to be appropriate in their business judgment. Such transactions could benefit the portfolio company of an Other Balance Point Fund more than the portfolio company of the Fund.

### **Competitive Portfolio Company Situations**

From time to time, the Fund may be presented with an investment opportunity in a company that is a competitor of a portfolio company of an Other Balance Point Fund. The Fund may decline to pursue such opportunity because of the competitive situation even though the opportunity might otherwise be an attractive one for the Fund. On other occasions, the Fund may invest in companies that are competitors of, or that subsequently become competitors of, other companies in which the Fund has invested or in which an Other Balance Point Fund has invested. Such competitive situations result in conflicts for the General Partner and its affiliates in their ongoing interactions with the competitive companies and could, in certain circumstances, result in the General Partner and its affiliates receiving less information about one or more of such companies that they might have received in the absence of such competitive situation. Competitive situations could also result in the Fund and/or the General Partner and its associated persons (who are generally indemnified by the Fund) facing legal claims regarding misuse of a company's confidential information, breach of duties to the portfolio companies or other matters related to the competitive situation.

### **Portfolio Company Interests**

The Fund may in certain circumstances have representatives that serve on the boards of directors of portfolio companies and will, as a result, be subject to fiduciary obligations to make decisions that they believe to be in the best interests of the portfolio company. Although in most cases the interests of the Fund and its portfolio companies will be aligned, this may not always be the case, particularly if a portfolio company is in financial difficulty, which would result in a conflict between the relevant director's obligations to the portfolio company and its stakeholders, on the one hand, and the interests of the Fund, on the other hand. In some circumstances, having a representative of the Fund serve as a director of a portfolio company will restrict the ability of the Fund to invest directly in an investment opportunity that also constitutes an investment opportunity for such portfolio company. Those serving as directors or otherwise with respect to a portfolio company may make decisions for a portfolio company that negatively impact returns received by the Fund. In addition, to the extent a Fund representative, such as Investment Manager personnel or a Principal, serves as a director on the board of more than one portfolio company, such person's fiduciary duties among the two portfolio companies may create a conflict of interest. Certain decisions made by a director may subject the Investment Manager, its affiliates or a Fund to claims



they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims.

### **Co-Investment Opportunities**

To the extent the General Partner determines the Fund and Parallel Funds have been offered the desirable size of an investment, the General Partner may offer co-investment opportunities to select Limited Partners, as well as to other private equity firms, other investment firms, strategic investors, other Balance Point investors or other third parties as described in the “Summary of Principal Terms—Co-investments by Limited Partners and Others” section of this Memorandum. Given the nature and timing of co-investment opportunities and the other relevant factors the General Partner and its affiliates may consider in connection with the allocation of a co-investment opportunity, there is no guarantee that the General Partner will bring co-investment opportunities to the attention of any particular Limited Partner notwithstanding that other Limited Partners or other persons may have been invited to participate. Any Limited Partner participating in a co-investment must satisfy independently the investor qualification standards and other regulatory conditions applicable to such co-investment and, in any event, the General Partner shall reserve the final right to accept or reject the participation of such investors in the co-investment opportunity. Any capital committed by a Limited Partner to any co-investment opportunity will be in addition to such Limited Partner’s Commitment to the Fund.

The General Partner, the Investment Manager or their respective affiliates may receive management fees, carried interest or other compensation in connection with such co-investments (and the terms of any such fees, carried interest or other compensation may differ from the terms applicable to an investment in the Fund with regard to such matters). The General Partner and its affiliates are incentivized to allocate or prioritize allocations of co-investments to co-investors that are willing to provide more favorable economic terms for the General Partner and/or its affiliates. The General Partner and its affiliates will seek to allocate investment opportunities among the Fund and any co-investors in a manner that, over a period of time, is fair and equitable, and initially, generally in proportion to the committed capital of such entities that are still making new investments.

The General Partner will use its reasonable discretion to allocate costs and expenses of completed co-investments between the Fund and any co-investor(s), in a fair and equitable manner. However, the General Partner may, in its reasonable discretion, determine that certain expenses directly or indirectly related to a transaction will not be charged to the co-investors, and in such case such expenses will be borne by the Fund. It is expected that any such potential co-investors will not bear any portion of “broken deal” or other expenses incurred by the Fund in connection with or related to a potential co-investment. The Investment Manager and its affiliates will have no obligation to cause such co-investors to bear any of such expenses at all or to bear any particular portion of such expenses (and will have no obligation to pro rate or otherwise reduce the amount paid by the Fund

in respect of any such expenses to take into account the co-investment). Co-investors may be granted or allowed certain rights to participate in follow-on and add-on investments but will not necessarily be granted or offered such rights. The General Partner and its affiliates will use their reasonable efforts to allocate any exit, sale or other realization opportunity between the Fund and any such co-investors, in a fair and equitable manner (subject to any specific requirements in the documents governing any such co-investment).

#### **Portfolio Company Fees**

The Principals, the General Partner, the Investment Manager, and/or employees of the Investment Manager, from time to time, receive certain fees from portfolio companies, including transaction fees, break-up fees, commitment fees, termination fees, closing fees, directors' fees, origination fees, amendment fees, consent fees and other similar fees, payments or compensation (in each case whether in the form of cash, securities or otherwise). While all or a portion of such fees (net of unreimbursed expenses received) generally will reduce the Management Fee payable on a dollar-for-dollar basis as set forth in the Partnership Agreement, the payment of such fees or other payments or compensation by portfolio companies and prospective portfolio companies will, in some, but not all, circumstances create a conflict of interest because the amounts of these fees, payments or other compensation are often substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. Generally, the amount of such fees, payments or other compensation will not, except in connection with the offsets described herein, be disclosed to investors in the Funds. See "Summary of Principal Terms—Management Fee Offset." In the event that any such Fees Subject to Offset are paid by any portfolio company in which the Fund, a Parallel Fund, or Other Balance Point Fund hold an investment, the General Partner shall determine that portion of such remuneration which is subject to offset against the Management Fee pursuant based on the relative amounts invested in such portfolio company by the Fund and such other entities or on such other basis as the General Partner may determine is equitable and appropriate after considering the factors the General Partner, in good faith, determines to be relevant. Any Fees Subject to Offset received by the Principals, the General Partner, the Investment Manager or employees thereof with respect to such co-investors will not be treated as Fees Subject to Offset.

For purposes of determining Management Fee "offsets" where applicable, the value of any freely tradable securities may be determined upon the date such underlying securities constitute freely tradable securities in the hands of such holder. The amount ultimately realized in respect of such securities may exceed the value that was used for purposes of determining any applicable Management Fee "offset," and the Fund will not receive or otherwise benefit from (directly or through an adjustment to the Management Fee "offset" amounts) any portion of such excess.

In many cases with respect to the implementation of the arrangements described above, there is not an independent third party involved on behalf of the relevant portfolio company and therefore

the fees are not subject to a market check. A conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company by virtue of the Principals, the General Partner, the Investment Manager, and/or employees of the Investment Manager, as applicable if receiving any portfolio company fees or compensation, acting on behalf of both parties. In the case of an award of stock or other grants or purchases of securities pursuant to options, warrants or similar securities received in connection with the performance of services, the recipient, such as a Principal or employee of the Investment Manager, may determine to sell such securities at a different time, or on different terms, than the Fund would sell its interest.

#### **Effect of Fees and Expenses on Returns**

The Fund will pay the Management Fee and will bear the expenses related to the Fund's operations. Such fees will reduce the actual returns to investors. Fees and expenses will be paid regardless of whether the Fund produces positive investment returns. If the Fund does not produce significant positive investment returns, these fees and expenses could reduce the amount of the investment recovered by an investor to an amount less than the amount invested in the Fund by such investor.

#### **Advisory Board Consents**

Certain transactions by the Fund that would otherwise be prohibited by the Partnership Agreement, including certain transactions that involve potential conflicts of interest between the Fund and Other Balance Point Funds, may be effected with the consent of the Fund's Advisory Board. Additionally, the General Partner may notify, consult with, or seek the consent of the Advisory Board for certain transactions that involve potential conflicts of interest, but are otherwise not restricted by the Partnership Agreement, prior to effecting such transactions. Some or all of the members of the Fund's Advisory Board may be on the advisory board of an Other Balance Point Fund with which there is a potential conflict or will be associated with investors who have an interest in both the Fund and such Other Balance Point Fund, and some or all of the members of the Fund's Advisory Board may themselves be subject to other conflicts of interest that are unrelated to overlapping Advisory Board membership or representation. Such Advisory Board members will not be precluded from participating in discussions with respect to, or from voting on, such transactions that involve potential conflict of interests. In addition, the Fund's Advisory Board will not represent the interests of all the Limited Partners, and each member of the Fund's Advisory Board may act in the interests of the Limited Partner with which it is associated. In general, Limited Partners will not be entitled to control the selection of members of the Fund's Advisory Board or to review the actions or deliberations of the Fund's Advisory Board.

#### **Fund Borrowing**

The General Partner generally expects that any borrowing by the Fund would be on a short-term basis only and subject to the limitations on borrowing in the Partnership Agreement. To the extent

the Fund uses borrowed funds in advance or in lieu of capital contributions, the Fund's investors generally make corresponding later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. As a result, the Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and generally make net IRR calculations higher than they otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. While the Fund will bear the expense of borrowed funds, such borrowings can also increase the carried interest received by the General Partner or will result in the receipt of carried interest earlier than would otherwise occur by decreasing the amount of distributions from the Fund that are required to be made to Fund investors in satisfaction of any preferred return. The General Partner therefore has a conflict of interest in deciding whether to borrow funds because the General Partner and/or its affiliates may receive disproportionate benefits from such borrowings.

#### **Resolution of Conflicts**

Any conflicts of interest that arise between the Fund or particular investors, on the one hand, and the Investment Manager and its affiliates or other investment funds managed or sponsored by the Investment Manager or its affiliates, on the other hand, will be discussed and resolved on a case-by-case basis by business, legal and compliance officers of the General Partner and/or the Investment Manager and its affiliates, as applicable. Any such discussions will take into consideration the interests of the relevant parties and the circumstances giving rise to the conflicts. Investors should be aware that conflicts will not necessarily be resolved in favor of the interests of the Fund or any affected investor. The Advisory Board may be requested by the General Partner or the Investment Manager to review certain transactions involving potential conflicts of interest and to provide approvals required by the Advisers Act. Any approvals granted by the Advisory Board will be final and binding on the Fund and each of the investors.

#### **Fund Service Providers as Service Providers to the Investment Manager or its Affiliates**

Certain service providers to the Fund or its portfolio companies (e.g., lawyers, accountants, lenders, banks, brokers) are also expected to provide services to the Investment Manager or its personnel or affiliates. The terms on which such services are provided to the Investment Manager or its personnel or affiliates may, in certain circumstances, differ from (and be more favorable than) those on which similar services are provided by such service providers to the Fund or its portfolio companies or other third parties. In other cases, Investment Manager or its personnel or affiliates benefit from pricing discounts offered by such service providers to both the Fund and the Investment Manager and its personnel or affiliates (as compared to pricing available to other customers) that may primarily be the result of volume of activity (or expected volume of activity) with such service providers from the Fund and/or Other Balance Point Funds. However, it is the General Partner's practice to seek to select service providers for the Fund (and, if requested, to

recommend service providers for portfolio companies) that it believes are in the best interests of the Fund (or its portfolio companies) based on their merits and not based on the services, or the terms of such services, provided to the Investment Manager or its personnel or affiliates.

#### **Investor and Balance Point Use of Portfolio Company Products and Services**

Fund portfolio companies may from time to time provide products or services to certain investors in the Fund and Other Balance Point Funds (or affiliates of such investors). The General Partner may have an incentive to encourage any such portfolio company to favor such investors (or their affiliates) relative to other clients or customers of the portfolio company in terms of pricing or otherwise, which could adversely affect the applicable portfolio company's profitability and the ultimate returns to the Fund with respect to its investment in that portfolio company. In addition, the Investment Manager and its affiliates and associated persons may, in certain instances, receive discounts on products and services provided by portfolio companies of the Fund, which could adversely affect the applicable portfolio company's profitability and the ultimate returns to the Fund with respect to its investment in that portfolio company.

#### **Placement Agent Fees**

The Fund, the General Partner, the Investment Manager or their affiliates may engage placement agents in connection with the organization of the Fund and the offering of interests therein. Any such placement agents may be compensated through fixed or contingent fees, as well as reimbursed for expenses. Prospective investors should take such payment arrangements into account when considering and evaluating any recommendations by any such placement agent relating to the Interests. As described herein and as set forth in the Partnership Agreement, the Fund may pay such fees and expenses but the Management Fee payable by the Fund will be reduced by the amount of any placement fees and expenses paid by the Fund.

#### **Lack of Separate Legal Representation**

Ropes & Gray LLP ("Ropes") serves as U.S. legal counsel to the Fund, the General Partner and the Investment Manager in connection with the organization thereof and the offer and sale of Interests and not for any investor or the investors as a group. Richards, Layton and Finger, P.A. ("RLF") will serve as Delaware counsel to the Fund, the General Partner and the Investment Manager in connection with the organization thereof and the offer and sale of the Interests and not for any investor or the investors as a group. Ropes and RLF has relied upon certain information furnished to it by the General Partner and the Investment Manager and has not investigated or verified the accuracy or completeness of such information. In connection with this offering and subsequent advice to the Fund, the General Partner, the Investment Manager and their respective affiliates, the engagement of Ropes and RLF is limited to the specific matters as to which it is

consulted by the General Partner and, therefore, there may exist facts or circumstances that could have a bearing on the Fund's (or the General Partner's) financial condition or operations with respect to which Ropes and RLF has not been consulted and for which it expressly disclaims any responsibility. No independent counsel has been retained (or is expected to be retained) to represent investors. No attorney-client relationship exists between either Ropes or RLF and any other person solely by such person making an investment in the Fund.

## Item 12: Brokerage Practices

---

### Selecting Broker-Dealers

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

### Research and Soft-Dollar Benefits

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

### Brokerage for Client Referrals

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

### Directed Brokerage

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

## Aggregating (Block) Trading

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

## Item 13: Review of Accounts

---

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

## Item 14: Client Referrals and Other Compensation

---

The Firm enters into agreements with placement agents (each, a “**Placement Agent**” and each such agreement, a “**Placement Agreement**”), in which a Placement Agent agrees to introduce potential investors to a Fund (other than a Fund that is closed to new capital commitments). Pursuant to the terms of any such Placement Agreement, the Investment Manager (and not the Fund) pays the Placement Agent a placement fee equal to a percentage of the aggregate capital commitments made by each investor introduced to such Fund by the Placement Agent. The existence of these Placement Agreements, as well as certain terms thereof, including the fact that such third parties are compensated, will be disclosed to targeted investors.

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

## Item 15: Custody

---

Certain Fund assets are held in custody by unaffiliated broker/dealers or banks. Balance Point is considered to have custody of the Funds' assets because Balance Point is affiliated with the general partner of each Fund, which has authority over the Funds' assets. Fund investors will not receive statements from the custodian. Instead, the Funds are subject to an annual audit by independent certified public accountants. The Firm engages an independent accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board to conduct annual audits of the Funds. The audited financial statements are prepared in accordance with U.S. generally accepted accounting principles and distributed to Fund investors generally within 90 days of the Funds' fiscal year end, or in accordance with the Limited Partnership Agreement.

## Item 16: Investment Discretion

---

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

## Item 17: Voting Client Securities

---

Balance Point has the authority to vote the proxies received on securities held by the Funds as well as other votes solicited for corporate actions affecting portfolio holdings. Balance Point's objective is to vote proxies in the best interests of the Funds as mandated by the Funds' objectives described in the private placement memoranda. The Firm's investment professionals monitor and opine on proxy proposals. In consultation with senior management, investment professionals will consider whether Balance Point is subject to any material conflict of interest in connection with each proxy vote. Investment professionals must notify Balance Point's Chief Compliance Officer if they are aware of any material conflict of interest associated with a proxy vote. Potential conflicts will be assessed on a case-by-case basis. Balance Point may abstain from voting if it deems that abstinence is in the Funds' best interests. Current investors may request a copy of Balance Point's full proxy voting policies and procedures and the voting records as provided by Rule 206(4)-6. Please contact Balance Point at 203-652-8262 or [ameltzer@balancepointcapital.com](mailto:ameltzer@balancepointcapital.com).

## Item 18: Financial Information

---

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