

# CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

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## **CAPQ BDC INC.** **D/B/A CAPITAL Q® BUSINESS DEVELOPMENT COMPANY**

CUSIP NUMBER: 12511R 107

ISIN NUMBER: US12511R1077

*A Full-Stack Venture Capital Business Development Company*

Minimum Initial Investment \$100,000

**Organized on March 10, 2020**

**Private Offering Began: June 1, 2022**

**Supplemental Date: June 30, 2023**

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BDC Manager

**Capital Q Management LLC**

100 East Faith Terrace, Suite 1016 Maitland, Florida 32751

(407) 307-CAPQ

**June 30<sup>th</sup>, 2023**  
**Supplemental Private Placement Memorandum**  
**Amendment Supplement No. 5**



**CAPQ BDC INC.**  
**D/B/A CAPITAL Q® BUSINESS DEVELOPMENT COMPANY**

CUSIP NUMBER: 12511R 107

ISIN NUMBER: US12511R1077

**\$50,000,000**

Maximum Common Stock Shares Offered: 100,000  
Price Per Share: \$500.00  
Minimum Investment: \$100,000 (200 Shares)

*CAPQ BDC Inc. (the “Company” or the “BDC”), is an externally managed closed-end investment management company that is Specifically regulated by the Investment Company Act of 1940, as amended (the 1940 Act) who elected to be subject to the provisions of Sections 55 through 65 of the 1940 Act. The Company is offering a maximum of 100,000 Common Stock for \$500.00 per share. The offering price per share may from time to time be increased (or decreased) by the Board of Directors, but shall not to exceed the Net Asset Value (“NAV”), as determined by the Company. See Risk Factors: Offering Price.*

THESE ARE SPECULATIVE SECURITIES WHICH INVOLVE A HIGH DEGREE OF RISK. ONLY THOSE INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD INVEST IN THESE SHARES.

**THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), THE SECURITIES LAWS OF THE STATE OF CALIFORNIA, OR UNDER THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION IN RELIANCE UPON THE EXEMPTIONS FROM REGISTRATION PROVIDED BY THE ACT AND REGULATION D RULE 506 PROMULGATED THEREUNDER, AND THE COMPARABLE EXEMPTIONS FROM REGISTRATION PROVIDED BY OTHER APPLICABLE SECURITIES LAWS.**

	<u>Sale Price</u>	<u>Selling Commissions</u> <sup>(1)</sup>	<u>Proceeds to Company</u> <sup>(2)</sup>
Per Share	\$500.00	\$25.00	\$475.00
<b>Offering</b>	<b>\$50,000,000</b>	<b>\$2,500,000</b>	<b>\$47,500,000</b>

<sup>(1)</sup> Shares may also be sold by FINRA member brokers or dealers **who enter into a Participating Dealer Agreement with the Company**, who will receive commissions of up to 5% of the price of the Shares sold. The Company reserves the right to pay expenses related to this Offering from the proceeds of the Offering. See “PLAN OF PLACEMENT and USE OF PROCEEDS” section.

<sup>(2)</sup> The Offering will terminate on the earliest of: (a) the date the Company, in its discretion, elects to terminate, or (b) the date upon which all Shares have been sold, or such date as may be extended from time to time by the Company (the “Offering Period”).

# PRIVATE PLACEMENT SUPPLEMENTAL

**THIS SUPPLEMENTAL UPDATE MODIFIES SPECIFIC ELEMENTS AND PRESENTS ADDITIONAL DETAILS RELATED TO THE CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM (REFERRED TO HEREIN, ALONG WITH ANY FURTHER SUPPLEMENTS OR MODIFICATIONS, AS THE "CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM") ISSUED BY CAPQ BDC INC. THIS UPDATE IS A FUNDAMENTAL COMPONENT OF THE ORIGINAL MEMORANDUM AND SHOULD BE REVIEWED IN CONJUNCTION WITH THE ENTIRE CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM.**

## **CAPQ BDC INC.**

Operating under the name Capital Q® Business Development Company ("Company" or "BDC"), CAPQ BDC Inc. is an externally guided closed-end investment management firm, operating under the regulatory jurisdiction of the amended Investment Company Act of 1940 (the "1940 Act"). As part of its commitment, the BDC has chosen to abide by the guidelines set forth in Sections 55 through 65 of the 1940 Act. The Company was registered as a Florida Corporation on March 20, 2019, with the main objective of functioning as a private, non-publicly traded "Full-Stack Venture Capital BDC," as defined in our materials. The initial operating capital for the BDC, which has proved crucial in kickstarting its investment endeavors, was sourced exclusively from its Sponsor, Capital Q Ventures, Inc.

As of June 1, 2022, the Company started a selective private offering of its shares to investors. In this phase, the BDC was keen on attracting investments from a handpicked group of institutional investors, exhibiting both expertise and enthusiasm for venture capital ventures. The Company has sparked considerable interest among these institutional investors, many of whom have shown a keen interest in joining as emerging fund sponsors. Currently, the BDC is being considered for participation in several emerging fund sponsor programs run by notable institutional investors. These programs hold the potential for the BDC to secure more capital, increase its pool of investors, and gain wider access to a spectrum of resources and knowledge. The Company is committed to closely scrutinizing the compatibility and value of these emerging fund sponsor programs to ensure they align with its investment objectives and offer lasting benefits to its shareholders.

## **INVESTMENT SUMMARY OF CAPQ BDC INC. OPERATIONS & SUPPLEMENTAL UPDATE**

CAPQ BDC Inc. continues to exhibit strategic excellence in its operations, ensuring maximum value for its investors. We're proud to share our substantial progress, indicated by a remarkable rise in our Net Asset Value (NAV) and an impressive Total Value to Paid In (TVPI) ratio since our inception.

The second quarter of 2023 has been particularly fruitful, as we expanded our portfolio to include three innovative companies - Provation Life LLC, Z Score Software Inc., and Swift LLC. These additions not only enhance our portfolio's diversity but also contribute to the anticipation of potential future growth.

Our current TVPI ratio stands at a commendable 57.23, reflecting the robust returns on our investments. To put it simply, for every dollar initially invested, the value has surged to approximately \$57.23, underscoring a trajectory of remarkable growth.

We also anticipate a revenue influx shortly after quarter ending via the prepayments of Put/Call Options from portfolio companies, DriveLink, Provation Life LLC, Z Score Software Inc., and Swift LLC. This income generation underlines our continued commitment to optimizing value and deftly managing investment risks.

Looking ahead, we remain excited for the third quarter of 2023. Our team is in advanced discussions with several promising businesses, and we anticipate expanding our portfolio further by adding 3-5 new portfolio companies. This anticipated expansion aligns with our strategy of sustained growth and diversity, further enhancing the potential for strong returns.

As we move forward, we continue to uphold our commitment to value creation and strategic investment, ensuring the best possible returns for our investors. Stay tuned for more updates as we embark on these exciting new ventures in the upcoming quarter.

### CAPQ BDC Inc. Holdings as of June 30, 2023

	<u>Jun 30, 23</u>
CAPQ BDC Inc (25,100 Shares)	
Accidental Entertainment Inc.	
5% Equity	450,000.00
2.5% Put Option	230,000.00
Total Accidental Entertainment Inc.	<u>680,000.00</u>
Accorai USA LLC	
3% Equity	330,000.00
1.5% Put Option	335,000.00
Total Accorai USA LLC	<u>665,000.00</u>
AquaLith Advanced Materials Inc.	
5% Equity (2,641,250 Shares)	607,487.50
Put Option (1,320,760 Shares)	295,000.00
Total AquaLith Advanced Materials Inc.	<u>902,487.50</u>
Attic Space LLC	
5% Equity	142,350.05
2.5% Put Option	95,000.00
Total Attic Space LLC	<u>237,350.05</u>
CAPQ Edelweiss Entertainment LLC	
Edelweiss Apparel LLC	50,000.00
Edelweiss Entertainment LLC	50,000.00
Edelweiss Experience LLC	50,000.00
Edelweiss Priory Preferred (SPV)	138,000.00
Total CAPQ Edelweiss Entertainment LLC	<u>288,000.00</u>
CosmoAesthetics USA LLC	
5% Equity	350,000.00
2.5% Put Option	290,000.00
Total CosmoAesthetics USA LLC	<u>640,000.00</u>
Criquet Holdings Inc.	
10% Equity	300,000.00
5% Put Option	336,000.00
Total Criquet Holdings Inc.	<u>636,000.00</u>
DMVI Corporation	
5% Equity	459,000.00
2.5% Put Option	360,000.00
Total DMVI Corporation	<u>819,000.00</u>
Earth Robotics Inc.	
Earth Robotics 20,000 Common Shares	425,000.00
Total Earth Robotics Inc.	<u>425,000.00</u>
National Ortho Trainer LLC (Florida Orthotics)	
5% Equity	50,000.00
2.5% Put Option	180,000.00
Total National Ortho Trainer LLC (Florida Orthotics)	<u>230,000.00</u>
Greenway World Solutions	25,000.00
H Bar C Corporation	
5% Equity	350,000.00
2.5% Put Option	280,000.00
Total H Bar C Corporation	<u>630,000.00</u>
Matteo USA LLC	
7% Equity	257,738.53
3.5% Put Option	95,000.00
Total Matteo USA LLC	<u>352,738.53</u>
MTDS Innovative Solutions LLC	
5% Equity	285,000.00

2.5% Put Option	100,000.00
<b>Total MTDS Innovative Solutions LLC</b>	<b>385,000.00</b>
<b>National Restaurant Brands LLLP</b>	
Walker-DSC / CAPQ LLC (30 % Equity)	5,825,638.50
<b>Total National Restaurant Brands LLLP</b>	<b>5,825,638.50</b>
<b>Previsis USA LLC</b>	
2.5% Equity	387,324.72
2.5% Put Option	205,000.00
<b>Total Previsis USA LLC</b>	<b>592,324.72</b>
<b>Pro Sports Development Center Inc</b>	
5% Equity	150,000.00
2.5% Put Option	400,000.00
<b>Total Pro Sports Development Center Inc</b>	<b>550,000.00</b>
<b>ProHawk Technology Inc.</b>	<b>62,000.00</b>
<b>Provation Life Inc.</b>	
5% Equity	TBD
2.5% Put Option	135,000.00
<b>Total Provation Life Inc..</b>	<b>650,000.00</b>
<b>Sawell Holdings Ltd (UQualify)</b>	
Sawell Holdings 5% Stock	400,000.00
Put-Option Sawell Holding 2.5%	300,000.00
<b>Total Sawell Holdings Ltd (UQualify)</b>	<b>700,000.00</b>
<b>Secretome Technologies Inc.</b>	
5% Equity	350,000.00
2.5% Put Options	300,000.00
<b>Total Secretome Technologies Inc.</b>	<b>650,000.00</b>
<b>ShotBoxxx LLC</b>	
5% Equity	250,000.00
2.5% Put Option	240,000.00
<b>Total ShotBoxxx LLC</b>	<b>490,000.00</b>
<b>SimpliCapital LLC</b>	
5% Equity	228,050.00
2.5% Put Option	100,000.00
<b>Total SimpliCapital LLC</b>	<b>328,050.00</b>
<b>Sweft LLC</b>	
5% Equity	TBD
2.5% Put Option	295,000.00
<b>Total Sweft LLC.</b>	<b>650,000.00</b>
<b>The Viridi Group LLC (SunTek)</b>	
5% Equity	100,000.00
2.5% Put Option	50,000.00
<b>Total The Viridi Group LLC (SunTek)</b>	<b>150,000.00</b>
<b>Vaya Space Inc(Rocket Crafters)</b>	<b>450,000.00</b>
<b>Vibotec USA LLC</b>	
5% Equity	394,678.40
2.5% Put Option	292,500.00
<b>Total Vibotec USA LLC</b>	<b>687,178.40</b>
<b>WCN Television Inc.</b>	
4% Equity	500,000.00
2% Put Option	150,000.00
<b>Total WCN Television Inc.</b>	<b>650,000.00</b>
<b>Z Score Software Inc</b>	
5% Equity	TBD
2.5% Put Option	235,000.00
<b>Total Z Score Software Inc.</b>	<b>650,000.00</b>
<b>Total CAPQ BDC Inc. (25,100 Shares)</b>	<b>18,715,768</b>

**Principal Risks:** An investment in the CAPQ BDC Inc. involve risk. Investors should consider Market Risk, BDC Sector Risk, and Derivatives Risk. Descriptions of these and other principal risks of investing in the Fund are provided in the fund prospectus. There is no assurance that the Fund will achieve its investment objective and you may lose money. The value of CAPQ BDC Inc.'s Portfolio may decline, and the net asset value (NAV) and share price may go down. An investment in CAPQ BDC Inc. is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

**Dividend and Distributions History**

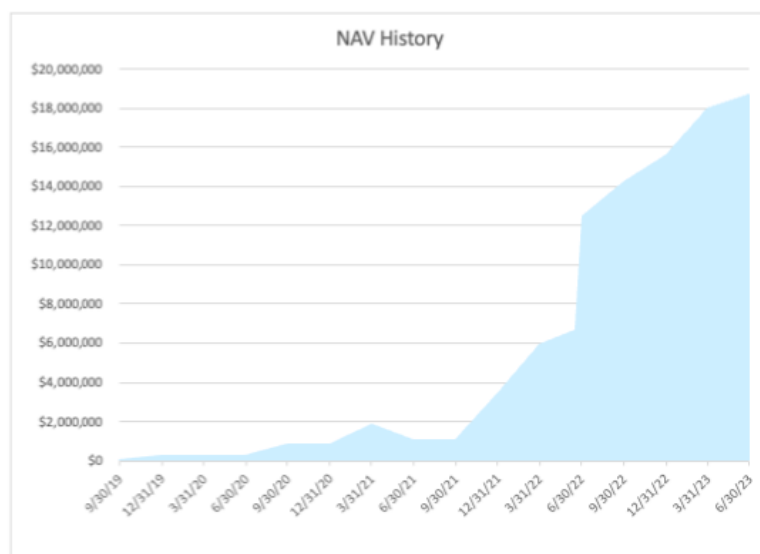
Audited 2021, 2020 &amp; 2022 Unaudited 2019, 2023

<u>Declaration Date</u>	<u>Ex/ EFF DATE</u>	<u>Type</u>	<u>Cash Amount Per Share/Unit</u>	<u>Record Date</u>	<u>Payment Date</u>
2/22/21	2/22/21	CASH	\$800.00	2/22/21	2/22/21
3/1/22	3/10/22	CASH	\$44.52	3/1/22	3/10/22
6/14/22	6/15/22	Action	*100 to 1 Stock	6/15/22	6/15/22
10/1/22	10/1/22	CASH	\$0.60	10/1/22	10/1/22
12/1/22	12/15/22	CASH	\$0.57	12/1/22	12/31/22
3/31/23	3/31/23	CASH	\$1.10	3/31/23	3/31/23
6/30/23	6/30/23	CASH	\$0.30	6/30/23	6/30/23

**NAV History**

NAV DATE	Total NAV	Shares		NAV Price Per Share
		Outstanding	NAV Price	
9/30/19	\$80,000	100	\$800.00	
12/31/19	\$321,870	100	\$3,218.70	
3/31/20	\$321,870	100	\$3,218.70	
6/30/20	\$321,870	100	\$3,218.70	
9/30/20	\$842,000	100	\$8,420.00	
12/31/20	\$842,000	100	\$8,420.00	
3/31/21	\$1,912,620	251	\$7,620.00	
6/30/21	\$1,063,000	251	\$4,235.06	
9/30/21	\$1,063,000	251	\$4,235.06	
12/31/21	\$3,487,999	251	\$13,896.41	
3/31/22	\$5,992,999	251	\$23,876.49	
6/15/22	\$6,693,000	251	\$26,665.34	
6/15/22	\$6,693,000	25,100	\$266.65*	
6/30/22	\$12,504,820	25,100	\$498.20	
9/30/22	\$14,276,629	25,100	\$568.79	
12/31/22	\$15,617,638	25,100	\$622.22	
3/31/23	\$18,050,768	25,100	\$719.15	
6/30/23	\$18,715,768	25,100	\$745.65	

NOTE: \*100 to 1 Stock Split

**Governance (Installed June 1, 2023)**

On June 1, 2023, CAPQ BDC Inc. announced the installation of a new predominantly independent seven-member Board of Directors, effective immediately. This strategic move marks a significant milestone in the company's ongoing commitment to governance excellence and aligning its leadership with the best interests of investors, entrepreneurs, and stakeholders.

**Michael "Q" Quatrini, Chairman of The Board:** Michael "Q" Quatrini is a co-founder of Capital Q® and has been serving as the CEO and Chairman since January 2017. With a remarkable career spanning over 25 years, he brings a wealth of expertise in quantitative and qualitative financial analyses and deal-flow due diligence to the management of Capital Q Ventures' family of funds.

Prior to his role at Capital Q Ventures, Mr. Quatrini made significant contributions to the venture capital industry. As the President and COO of Blackwood Holdings Group, he focused on syndicating funding rounds with accredited institutional investors and family offices. Additionally, he served as the Managing Partner and CFO of NewGate Capital Partners, where he sourced and syndicated debt and equity investments to institutional investors nationwide.

Mr. Quatrini's substantial deal-flow and expertise have resulted in numerous Capital Partnerships with emerging and growth-stage portfolio companies. He conceptualized and developed specialty

funds, such as AMEREX - ACRE Fund and MEDiC - Medical Inventory Capital Fund and played a vital role in syndicated investments for leading private equity firms.

With a background in the entertainment industry and experience in high-profile mergers and acquisitions, Mr. Quatrini brings a unique perspective to the board. A former member of the United States Marine Corps Presidential Honor Guard, he is dedicated to mentoring entrepreneurs and has a passion for empowering emerging businesses.

As Chairman of the Board, Mr. Quatrini leads Capital Q Ventures with his visionary approach and extensive experience. His commitment to driving the success of portfolio companies and his dedication to fostering growth make him an invaluable asset to the firm.

**Bruno Quatrini: COO and Board of Directors Secretary:** Bruno, a Capital Q® Founder, serves as the Executive Vice President & Senior Investment Analyst at Capital Q Ventures, bringing his exceptional quantitative analytical skills to the forefront. In his role, Bruno oversees the embedded Tri-Party Venture Fund® analyst teams, providing invaluable support to our Venture Partner Sponsors.

With prior experience as an Analyst at FS Investments (formerly Franklin Square Capital Partners), Bruno played a crucial role in delivering income and growth capital returns to institutional investors. He also held a senior role at BYN Mellon, where he focused on reducing systemic company-wide risk and facilitating efficient funding operations through compliance oversight in the Tri-Party Repo department.

Bruno's finance career began as a Venture Capital Analyst at Blackwood Holdings Group. Graduating from Rollins College with a bachelor's degree in business management and a Minor in Communications, Bruno's academic achievements are complemented by his impressive coaching tenure as the youngest ever Head Coach of Florida High School Athletic Association - AAA High School Wrestling at Winter Park High School.

As the COO and Secretary of the Board of Directors at Capital Q Ventures, Bruno's expertise and multifaceted background contribute to the firm's operational efficiency and strategic decision-making. His dedication to quantitative analysis and risk management ensures the continued success and growth of the company.

**Laila Witwicky: Venture Partner,** Capital Q Ventures Inc. is thrilled to announce the appointment of Laila Witwicky as a new board member, adding her extensive construction development and international project management experience to the team. With a remarkable portfolio spanning complex projects both in the United States and several foreign countries, Laila brings a wealth of expertise to her role.

Laila's responsibilities have encompassed finance, marketing, and public relations, making her an asset in driving the successful completion of each venture. Her adeptness and passion for overseeing projects exceeding \$500,000,000 have solidified Daniel Corporation's reputation as a prominent player in today's business landscape.

As Laila joins the board of Capital Q Ventures Inc., her vast knowledge and outstanding leadership skills will greatly enhance the collective expertise. Her strategic insights will be instrumental in guiding the firm's investment initiatives, identifying new opportunities, and fostering sustainable growth.

We warmly welcome Laila Witwicky to the Capital Q Ventures Inc. team, confident that her exceptional career and unwavering commitment to excellence will contribute significantly to our continued success. With her profound understanding of the industry, we are poised to navigate the investment landscape with even greater confidence, creating impactful ventures and delivering exceptional value to our stakeholders.

**Mercedes Wechsler (Independent):** Capital Q Ventures welcomes Mercedes Wechsler as a new board member, bringing a diverse range of skills and experience to her role. With a background in engineering and law, Mercedes's expertise spans multiple disciplines.

Mercedes began her career in the military defense industry and later transitioned to law, earning her Juris Doctorate from the University of Florida. As a licensed attorney in Florida, she has practiced law in various areas, including product liability, insurance defense, and family law.

As the owner and operator of her own family law firm since 2002, Mercedes has gained extensive experience managing a variety of cases and has been recognized as an expert on attorney's fees in family law matters. Her involvement in professional organizations, such as the Florida Bar Association and the Orange County Bar Association, demonstrates her commitment to the legal community.

Mercedes's diverse expertise and esteemed background make her a valuable addition to the board of Capital Q Ventures. Her insights and perspective will contribute to the firm's strategic decision-making, supporting its commitment to excellence and success.

Capital Q Ventures is excited to have Mercedes Wechsler on board and looks forward to leveraging her extensive experience and legal acumen to drive the company's growth and deliver exceptional value to its stakeholders.

**Joseph M. Deitz (Independent):** Joseph M. Deitz brings over 35 years of commercial and community banking experience as he joins Capital Q Ventures' esteemed Board of Directors. Throughout his extensive career, Joe has consistently demonstrated his vast financial knowledge and unwavering commitment to supporting clients and prospects in achieving success in their businesses.

Having held various management positions, Joe has catered to a diverse clientele, including large and small commercial businesses, contractors, developers, and retail enterprises. With a portfolio exceeding \$35 million, he has leveraged his expertise to provide invaluable guidance, enabling businesses to thrive and flourish.

In the latter phase of his career, Joe focused on new business development, collaborating with successful entrepreneurs to identify growth opportunities and establish fruitful partnerships. His deep understanding of finance and dedication to fostering entrepreneurial endeavors have solidified his reputation as a trusted advisor and catalyst for business growth.

Capital Q Ventures is delighted to welcome Joseph M. Deitz to the board, recognizing the immense value his experience and expertise bring to the strategic direction of the company. His appointment further strengthens the board's capabilities, ensuring continued growth and delivering exceptional results for investors and entrepreneurs.

With his exceptional background and proven track record, Joseph M. Deitz is poised to make significant contributions to Capital Q Ventures' ongoing success, fortifying the firm's position as a leading player in the industry.

**Micah Strader (Independent):** Micah Strader brings over a decade of exceptional experience in real estate transactions and strategic advisory to the esteemed Board of Directors at Capital Q Ventures. With a strong background in leasing, capital markets, development, and strategy, Micah has consistently delivered outstanding results across multiple market cycles.

Starting his career at CBRE, Inc. in 2004, Micah completed remarkable transactions totaling 5,400,000 square feet, providing expert guidance to clients in various real estate aspects. Currently serving as a Managing Director at JLL since 2019, Micah focuses on optimizing value for owners of office properties through effective leasing and sales strategies.

Micah's significant achievements include representing West Second Street Associates in the redevelopment of a CBD asset for a long-term lease with the federal government, securing anchor tenants for major projects, and facilitating market-leading sales. Recognized as a CoStar Power Broker since 2012, Micah's expertise and dedication have earned him accolades in the industry.



Capital Q Ventures warmly welcomes Micah Strader to the board, appreciating his extensive knowledge and proven track record. His strategic insights and profound understanding of the real estate market will play a vital role in shaping the company's investment decisions and driving long-term success.

With his exceptional achievements and commitment to excellence, Micah Strader is poised to make significant contributions to Capital Q Ventures, further solidifying the firm's position as a leader in the alternative asset management industry.

**Board Seat 7: (Independent):** Vacant

### **CAPQ BDC's Plans to File Form N-2**

According to the BDC regulations set out by the SEC, CAPQ BDC plans to file a Form N-2 within two years after commencing investment acceptance from investors other than its Sponsor, Capital Q Ventures, Inc. This process diverges from a Rule 415 shelf registration; instead, it follows the protocol specifically designed for closed-end management investment companies.

Filing a Form N-2 allows a BDC to register under the Investment Company Act of 1940 and to offer its shares under the Securities Act of 1933. Subsequent to this transition, the BDC aims to become an SEC reporting company and plans to begin trading through OTC Link LLC (OTC Link).

Within 30 days following our initial public offering, the BDC will become "piggyback qualified," enabling other FINRA registered broker-dealers to start quoting our securities. The ultimate goal, subject to the Board of Directors' discretion, is to satisfy the listing requirements of NASDAQ, a prestigious platform accessible to companies maintaining current reporting obligations to the SEC and Nasdaq Stock Market, meeting specific eligibility requirements, possessing audited financial statements, and engaging a third-party securities attorney or investment bank to review disclosures and act as a professional advisor.

### **Management Fees**

Capital Q Management LLC, the manager of CAPQ BDC Inc., has voluntarily waived its entitled Management Fees of 1.75% and the 20% Profit Participation due to it from the inception of the BDC on 9/30/2019 until the present time. This waiver forms a key part of Management's strategic plan to accelerate the growth and increase the Net Asset Value (NAV) of the BDC in the most expeditious manner. It is important to note, however, that Capital Q Management LLC reserves the right to levy its 1.75% Management Fee and 20% Profit Participation at a future date, in accordance with the governing agreements and regulations. Investors can be assured, for the avoidance of doubt, that no Management Fees will be imposed on the initial seed capital that was provided by Capital Q Ventures to the BDC.

### **Charges and Expenses**

Capital Q Ventures Inc., the parent company of CAPQ BDC Inc. and its Manager, has functioned as the Seed Investor and consequently absorbed all associated charges and expenses since the inception of the BDC on 9/30/2019. These expenses encompass all aspects of operational costs, including project origination, occupancy, and office expenditures, that may have otherwise been shouldered by investors of the BDC. By undertaking these costs, Capital Q Ventures Inc. has effectively shielded shareholders from incurring additional financial obligations. However, CAPQ BDC Inc. reserves the right to recover such charges and expenses at a future date, if deemed necessary. The company anticipates that these fees and expenses, if ever levied, would not exceed 1.25% of the investment.

### **Auditor (Amendment)**

Drenchko Stephanie Sheradin, a Certified Public Accountant holding license #098780, serves as the U.S. auditor for CAPQ BDC Inc., associated with Zero to Grace Accounting Firm, a Limited Liability Partnership. Drenchko Stephanie Sheradin and the Zero to Grace Accounting Firm, a boutique specialty audit firm, have established a commitment to the provision of high-standard services within the securities industry. Their unique focus and specialty in this space allows CAPQ BDC Inc. to maintain cost-effective operations while ensuring adherence to the highest accounting standards and regulatory norms. The professional dedication of Drenchko Stephanie Sheradin and the tailored expertise of the Zero to Grace Accounting Firm contribute to the robustness and transparency of CAPQ BDC Inc.'s financial disclosures.

**Supplemental Disclosure:**

This addendum serves as an essential update and should be read in conjunction with the complete Confidential Private Placement Memorandum for a thorough understanding of our ongoing developments and future objectives. While we strive to provide our investors with the most current and accurate information possible, the BDC does not warrant the completeness and accuracy of the data presented, particularly with regard to the valuations of some or all of the portfolio companies, at the time of this supplement's publication or any time thereafter. Please be advised that past performance should not be viewed as a guaranteed predictor of future results, consistent with established investment and securities law.

**Private Placement Supplemental Disclosure**

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# CAPQ BDC INC.

D/B/A CAPITAL Q® BUSINESS DEVELOPMENT COMPANY

CUSIP NUMBER: 12511R 107

ISIN NUMBER: US12511R1077

This Confidential Private Placement Memorandum (the “*Memorandum*”) has been prepared on a confidential basis and is intended solely for the use of the recipient in connection with this offering. Each recipient, by accepting delivery of this Memorandum, agrees not to make a copy of the same or to divulge the contents hereof to any person other than a legal, business, investment, or tax advisor in connection with obtaining the advice of any such persons with respect to this offering.

The Memorandum relates to the offering (the “*Offering*”) of Common Stock (the “*Shares*” or “*Stock*”) of CAPQ BDC Inc. d/b/a Capital Q® Business Development Company, a Florida Corporation who has who elected to be subject to the provisions of Sections 55 through 65 of the 1940 Act to be a Business Development Company (the “*BDC*”). Shares are suitable only for sophisticated investors (a) who do not require immediate liquidity for their investments, (b) for whom an investment in the BDC does not constitute a complete investment program and (c) who fully understand and are willing to assume the risks involved in the BDC’s investment program. The BDC’s investment practices, by their nature, involve a substantial degree of risk. See “*Investment Program*” and “*Risk Factors.*” The Offering is made only to certain qualified investors. See “*Qualification of Investors.*” Prospective investors should carefully consider the material factors described in “*Risk Factors,*” together with the other information appearing in this Memorandum, prior to purchasing any of the Stock offered hereby.

**THE STOCK OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC” OR “COMMISSION”) OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE, NOR HAS THE COMMISSION OR ANY SUCH AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE STOCK ARE BEING OFFERED PURSUANT TO EXEMPTIONS FROM REGISTRATION WITH THE COMMISSION AND STATE SECURITIES REGULATORY AUTHORITIES; HOWEVER, NEITHER THE COMMISSION NOR ANY STATE SECURITIES REGULATORY AUTHORITY HAS MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREIN ARE EXEMPT FROM REGISTRATION.**

THE INFORMATION IN THIS MEMORANDUM IS GIVEN AS OF THE DATE ON THE COVER PAGE, UNLESS ANOTHER TIME IS SPECIFIED, AND INVESTORS MAY NOT INFER FROM EITHER THE SUBSEQUENT DELIVERY OF THIS MEMORANDUM OR ANY SALE OF SHARES THAT THERE HAS BEEN NO CHANGE IN THE FACTS DESCRIBED SINCE THAT DATE.

This Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Stock by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No offering literature or advertising in any form other than this Memorandum and the agreements and documents referred to herein shall be considered to constitute an Offering of the Shares. No person has been authorized to make any representation with respect to the Stock except the representations contained herein. Any representation other than those set forth in this Memorandum and any information other than that contained in documents and records furnished by the BDC upon request, must not be relied upon. This Memorandum is accurate as of its date, and no representation or warranty is made as to its continued accuracy after such date.

Sales of Stock may be made only to investors deemed suitable for an investment in the BDC under the criteria set forth in this Memorandum. The BDC reserves the right, notwithstanding any such offer, to withdraw or modify the Offering and to reject any subscriptions for the Stock in whole or in part for any or no reason.

The Stock being offered have not been registered under the Securities Act of 1933, as amended (the “*Securities Act*”), and have not been registered under the securities laws of any state but are being offered and sold for purposes of investment and in reliance on the statutory exemptions contained in Sections 4(2) and/or 3(b) of the Securities Act and in reliance on applicable exemptions under state securities laws. Such Stock may not be sold, pledged, transferred, or assigned except in a transaction which is exempt under the Securities Act and applicable state securities laws, or pursuant to an effective registration statement thereunder or in a transaction otherwise in compliance with the Securities Act, applicable state securities laws, this Memorandum and the BDC Management Agreement.

**THERE IS NO PUBLIC MARKET FOR THE STOCK AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE.**

The BDC is not registered as an investment company under the Investment Company Act of 1940, as amended (the “*Investment Company Act*”), in reliance upon Section 3(c)(1) thereof. As a result of its reliance upon Section 3(c)(1), the Stock may not at any time be owned by more than 100 beneficial owners (as determined under the Investment Company Act).

Prospective investors are invited to meet with their advisors to discuss, and to ask questions and receive answers, concerning the terms and conditions of this Offering of the Shares, and to obtain any additional information, to the extent the BDC Manager or its delegate possess such information or can acquire it without unreasonable effort or expense, necessary to verify the information contained herein.

**Jurisdictional (NASAA) Legends**

FOR RESIDENTS OF ALL STATES: THE PRESENCE OF A LEGEND FOR ANY GIVEN STATE REFLECTS ONLY THAT A LEGEND MAY BE REQUIRED BY THAT STATE AND SHOULD NOT BE CONSTRUED TO MEAN AN OFFER OR SALE MAY BE MADE IN A PARTICULAR STATE. IF YOU ARE UNCERTAIN AS TO WHETHER OR NOT OFFERS OR SALES MAY BE LAWFULLY MADE IN ANY GIVEN STATE, YOU ARE HEREBY ADVISED TO CONTACT THE COMPANY. THE SECURITIES DESCRIBED IN THIS MEMORANDUM HAVE NOT BEEN REGISTERED UNDER ANY STATE SECURITIES LAWS (COMMONLY CALLED "BLUE SKY" LAWS). THESE SECURITIES MUST BE ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION OF SUCH SECURITIES UNDER SUCH LAWS, OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED. THE PRESENCE OF A LEGEND FOR ANY GIVEN STATE REFLECTS ONLY THAT A LEGEND MAY BE REQUIRED BY THE STATE AND SHOULD NOT BE CONSTRUED TO MEAN AN OFFER OF SALE MAY BE MADE IN ANY PARTICULAR STATE.

**1. NOTICE TO ALABAMA RESIDENTS ONLY:** THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**2. NOTICE TO ALASKA RESIDENTS ONLY:** THE SECURITIES OFFERED HAVE NOT BEEN REGISTERED WITH THE ADMINISTRATOR OF SECURITIES OF THE STATE OF ALASKA UNDER PROVISIONS OF 3 AAC 08.500-3 AAC 08.504. THE INVESTOR IS ADVISED THAT THE ADMINISTRATOR HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THIS DOCUMENT SINCE THE DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE ADMINISTRATOR. THE FACT OF REGISTRATION DOES NOT MEAN THAT THE ADMINISTRATOR HAS PASSED IN ANY WAY UPON THE MERITS, RECOMMENDED, OR APPROVED THE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A VIOLATION OF 45.55.170. THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED IN MAKING AN INVESTMENT DECISION ON THESE SECURITIES.

**3. NOTICE TO ARIZONA RESIDENTS ONLY:** THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE ARIZONA SECURITIES ACT IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION PURSUANT TO A.R.S. SECTION 44-1844 (1) AND THEREFORE CANNOT BE RESOLD UNLESS THEY ARE ALSO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

**4. NOTICE TO ARKANSAS RESIDENTS ONLY:** THESE SECURITIES ARE OFFERED IN RELIANCE UPON CLAIMS OF EXEMPTION UNDER THE ARKANSAS SECURITIES ACT AND SECTION 4(2) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURITIES AND EXCHANGE COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THIS OFFERING OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

**5. FOR CALIFORNIA RESIDENTS ONLY:** THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS OFFERING HAS NOT BEEN QUALIFIED WITH COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH SECURITIES OR PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFORE PRIOR TO SUCH QUALIFICATIONS IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPTED FROM QUALIFICATION BY SECTION 25100, 25102, OR 25104 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS OFFERING ARE EXPRESSLY CONDITION UPON SUCH QUALIFICATIONS BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

**6. FOR COLORADO RESIDENTS ONLY:** THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1991 BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE RESOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1991, IF SUCH REGISTRATION IS REQUIRED.

**7. NOTICE TO CONNECTICUT RESIDENTS ONLY:** SHARES ACQUIRED BY CONNECTICUT RESIDENTS ARE BEING SOLD AS A TRANSACTION EXEMPT UNDER SECTION 36-409(b)(9)(A) OF THE CONNECTICUT, UNIFORM SECURITIES ACT. THE SHARES HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF CONNECTICUT. ALL INVESTORS SHOULD BE AWARE THAT THERE ARE CERTAIN RESTRICTIONS AS TO THE TRANSFERABILITY OF THE SHARES.

**8. NOTICE TO DELAWARE RESIDENTS ONLY:** IF YOU ARE A DELAWARE RESIDENT, YOU ARE HEREBY ADVISED THAT THESE SECURITIES ARE BEING OFFERED IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE DELAWARE SECURITIES ACT. THE SECURITIES CANNOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR IN A TRANSACTION WHICH IS OTHERWISE IN COMPLIANCE WITH THE ACT.

**9. NOTICE TO DISTRICT OF COLUMBIA RESIDENTS ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES BUREAU OF THE DISTRICT OF COLUMBIA NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

**10. NOTICE TO FLORIDA RESIDENTS ONLY:** THE SHARES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED WITH THE FLORIDA DIVISION OF SECURITIES AND INVESTOR PROTECTION UNDER THE FLORIDA SECURITIES ACT. THE SHARES REFERRED TO HEREIN WILL BE SOLD TO AND ACQUIRED BY THE HOLDER IN A TRANSACTION EXEMPT UNDER SECTION 517.061 OF SAID ACT. THE SHARES HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF FLORIDA. IN ADDITION, ALL OFFEREES WHO ARE FLORIDA RESIDENTS SHOULD BE AWARE THAT SECTION 517.061(11)(a)(5) OF THE ACT PROVIDES, IN RELEVANT PART, AS FOLLOWS: "WHEN SALES ARE MADE TO FIVE OR MORE PERSONS IN [FLORIDA], ANY SALE IN [FLORIDA] MADE PURSUANT TO [THIS SECTION] IS VOIDABLE BY THE PURCHASER IN SUCH SALE EITHER WITHIN 3 DAYS AFTER THE FIRST

TENDER OF CONSIDERATION IS MADE BY THE PURCHASER TO THE ISSUER, AN AGENT OF THE ISSUER OR AN ESCROW AGENT OR WITHIN 3 DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER." THE AVAILABILITY OF THE PRIVILEGE TO VOID SALES PURSUANT TO SECTION 517.061(11) IS HEREBY COMMUNICATED TO EACH FLORIDA OFFEREE. EACH PERSON ENTITLED TO EXERCISE THE PRIVILEGE TO AVOID SALES GRANTED BY SECTION 517.061 (11) (A)(5) AND WHO WISHES TO EXERCISE SUCH RIGHT, MUST, WITHIN 3 DAYS AFTER THE TENDER OF ANY AMOUNT TO THE COMPANY OR TO ANY AGENT OF THE COMPANY (INCLUDING THE SELLING AGENT OR ANY OTHER DEALER ACTING ON BEHALF OF THE PARTNERSHIP OR ANY SALESMAN OF SUCH DEALER) OR AN ESCROW AGENT CAUSE A WRITTEN NOTICE OR TELEGRAM TO BE SENT TO THE COMPANY AT THE ADDRESS PROVIDED IN THIS CONFIDENTIAL EXECUTIVE SUMMARY. SUCH LETTER OR TELEGRAM MUST BE SENT AND, IF POSTMARKED, POSTMARKED ON OR PRIOR TO THE END OF THE AFOREMENTIONED THIRD DAY. IF A PERSON IS SENDING A LETTER, IT IS PRUDENT TO SEND SUCH LETTER BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ASSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME IT WAS MAILED. SHOULD A PERSON MAKE THIS REQUEST ORALLY, HE MUST ASK FOR WRITTEN CONFIRMATION THAT HIS REQUEST HAS BEEN RECEIVED.

**11. NOTICE TO GEORGIA RESIDENTS ONLY:** THESE SECURITIES ARE OFFERED IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE GEORGIA SECURITIES ACT PURSUANT TO REGULATION 590-4-5-04 AND -01. THE SECURITIES CANNOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR IN A TRANSACTION WHICH IS OTHERWISE IN COMPLIANCE WITH THE ACT.

**12. NOTICE TO HAWAII RESIDENTS ONLY:** NEITHER THIS MEMORANDUM NOR THE SECURITIES DESCRIBED HEREIN BEEN APPROVED OR DISAPPROVED BY THE COMMISSIONER OF SECURITIES OF THE STATE OF HAWAII NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM.

**13. NOTICE TO IDAHO RESIDENTS ONLY:** THESE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE IDAHO SECURITIES ACT IN RELIANCE UPON EXEMPTION FROM REGISTRATION PURSUANT TO SECTION 30-14-203 OR 302(c) THEREOF AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SAID ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SAID ACT.

**14. NOTICE TO ILLINOIS RESIDENTS:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF THE STATE OF ILLINOIS NOR HAS THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

**15. NOTICE TO INDIANA RESIDENTS ONLY:** THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 23-2-1-2 OF THE INDIANA SECURITIES LAW AND HAVE NOT BEEN REGISTERED UNDER SECTION 23-2-1-3. THEY CANNOT THEREFORE BE RESOLD UNLESS THEY ARE REGISTERED UNDER SAID LAW OR UNLESS AN EXEMPTION FORM REGISTRATION IS AVAILABLE. A CLAIM OF EXEMPTION UNDER SAID LAW HAS BEEN FILED, AND IF SUCH EXEMPTION IS NOT DISALLOWED SALES OF THESE SECURITIES MAY BE MADE. HOWEVER, UNTIL SUCH EXEMPTION IS GRANTED, ANY OFFER MADE PURSUANT HERETO IS PRELIMINARY AND SUBJECT TO MATERIAL CHANGE.

**16. NOTICE TO IOWA RESIDENTS ONLY:** IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED; THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

**17. NOTICE TO KANSAS RESIDENTS ONLY:** IF AN INVESTOR ACCEPTS AN OFFER TO PURCHASE ANY OF THE SECURITIES, THE INVESTOR IS HEREBY ADVISED THE SECURITIES WILL BE SOLD TO AND ACQUIRED BY IT/HIM/HER IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 81-5-6 OF THE KANSAS SECURITIES ACT AND MAY NOT BE RE-OFFERED FOR

SALE, TRANSFERRED, OR RESOLD EXCEPT IN COMPLIANCE WITH SUCH ACT AND APPLICABLE RULES PROMULGATED THEREUNDER.

**18. NOTICE TO KENTUCKY RESIDENTS ONLY:** IF AN INVESTOR ACCEPTS AN OFFER TO PURCHASE ANY OF THE SECURITIES, THE INVESTOR IS HEREBY ADVISED THE SECURITIES WILL BE SOLD TO AND ACQUIRED BY IT/HIM/HER IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER RULE 808 OF THE KENTUCKY SECURITIES ACT AND MAY NOT BE RE-OFFERED FOR SALE, TRANSFERRED, OR RESOLD EXCEPT IN COMPLIANCE WITH SUCH ACT AND APPLICABLE RULES PROMULGATED THEREUNDER.

**19. NOTICE TO LOUISIANA RESIDENTS ONLY:** IF AN INVESTOR ACCEPTS AN OFFER TO PURCHASE ANY OF THE SECURITIES, THE INVESTOR IS HEREBY ADVISED THE SECURITIES WILL BE SOLD TO AND ACQUIRED BY IT/HIM/HER IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER RULE 1 OF THE LOUISIANA SECURITIES LAW AND MAY NOT BE RE-OFFERED FOR SALE, TRANSFERRED, OR RESOLD EXCEPT IN COMPLIANCE WITH SUCH ACT AND APPLICABLE RULES PROMULGATED THEREUNDER.

**20. NOTICE TO MAINE RESIDENTS ONLY:** THE ISSUER IS REQUIRED TO MAKE A REASONABLE FINDING THAT THE SECURITIES OFFERED ARE A SUITABLE INVESTMENT FOR THE PURCHASER AND THAT THE PURCHASER IS FINANCIALLY ABLE TO BEAR THE RISK OF LOSING THE ENTIRE AMOUNT INVESTED.

THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION UNDER §16202(15) OF THE MAINE UNIFORM SECURITIES ACT AND ARE NOT REGISTERED WITH THE SECURITIES ADMINISTRATOR OF THE STATE OF MAINE.

THE SECURITIES OFFERED FOR SALE MAY BE RESTRICTED SECURITIES AND THE HOLDER MAY NOT BE ABLE TO RESELL THE SECURITIES UNLESS:

- (1) THE SECURITIES ARE REGISTERED UNDER STATE AND FEDERAL SECURITIES LAWS, OR
- (2) AN EXEMPTION IS AVAILABLE UNDER THOSE LAWS.

**21. NOTICE TO MARYLAND RESIDENTS ONLY:** IF YOU ARE A MARYLAND RESIDENT AND YOU ACCEPT AN OFFER TO PURCHASE THESE SECURITIES PURSUANT TO THIS MEMORANDUM, YOU ARE HEREBY ADVISED THAT THESE SECURITIES ARE BEING SOLD AS A TRANSACTION EXEMPT UNDER SECTION 11-602(9) OF THE MARYLAND SECURITIES ACT. THE SHARES HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF MARYLAND. ALL INVESTORS SHOULD BE AWARE THAT THERE ARE CERTAIN RESTRICTIONS AS TO THE TRANSFERABILITY OF THE SHARES.

**22. NOTICE TO MASSACHUSETTS RESIDENTS ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES DIVISION OF THE COMMONWEALTH OF MASSACHUSETTS NOR HAS THE SECRETARY OF THE COMMONWEALTH PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. TO RESIDENTS OF MICHIGAN: NO SALE OF THE SECURITIES WILL BE MADE TO RESIDENTS OF THE STATE OF MICHIGAN WHO ARE UNACCREDITED INVESTORS IF THE AMOUNT OF SUCH INVESTMENT IN THE SECURITIES WOULD EXCEED TEN PERCENT (10%) OF SUCH INVESTOR'S NET WORTH (EXCLUDING PRINCIPAL RESIDENCE, FURNISHINGS THEREIN AND PERSONAL AUTOMOBILES).

**23. NOTICE TO MICHIGAN RESIDENTS ONLY:** THESE SECURITIES ARE BEING OFFERED IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE MICHIGAN SECURITIES ACT. THE SECURITIES CANNOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR IN A TRANSACTION WHICH IS OTHERWISE IN COMPLIANCE WITH THE ACT.

**24. NOTICE TO MINNESOTA RESIDENTS ONLY:** THESE SECURITIES BEING OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER CHAPTER 80A OF THE MINNESOTA SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO REGISTRATION, OR AN EXEMPTION THEREFROM.

**25. NOTICE TO MISSISSIPPI RESIDENTS ONLY:** THE SHARES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE MISSISSIPPI SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE MISSISSIPPI SECRETARY OF STATE OR WITH THE SECURITIES AND EXCHANGE COMMISSION. NEITHER THE SECRETARY OF STATE NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, OR APPROVED OR DISAPPROVED THIS OFFERING. THE SECRETARY OF STATE DOES NOT RECOMMEND THE PURCHASE OF THESE OR ANY OTHER SECURITIES. EACH PURCHASER OF THE SECURITIES MUST MEET CERTAIN SUITABILITY STANDARDS AND MUST BE ABLE TO BEAR AN ENTIRE LOSS OF THIS INVESTMENT. THE SECURITIES MAY NOT BE TRANSFERRED FOR A PERIOD OF ONE (1) YEAR EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER THE MISSISSIPPI SECURITIES ACT OR IN A TRANSACTION IN COMPLIANCE WITH THE MISSISSIPPI SECURITIES ACT.

**26. FOR MISSOURI RESIDENTS ONLY:** THE SECURITIES OFFERED HEREIN WILL BE SOLD TO, AND ACQUIRED BY, THE PURCHASER IN A TRANSACTION EXEMPT UNDER SECTION 4.G OF THE MISSOURI SECURITIES LAW OF 1953, AS AMENDED. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF MISSOURI. UNLESS THE SECURITIES ARE SO REGISTERED, THEY MAY NOT BE OFFERED FOR SALE OR RESOLD IN THE STATE OF MISSOURI, EXCEPT AS A SECURITY, OR IN A TRANSACTION EXEMPT UNDER SAID ACT.

**27. NOTICE TO MONTANA RESIDENTS ONLY:** IN ADDITION TO THE INVESTOR SUITABILITY STANDARDS THAT ARE OTHERWISE APPLICABLE, ANY INVESTOR WHO IS A MONTANA RESIDENT MUST HAVE A NET WORTH (EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES) IN EXCESS OF FIVE (5) TIMES THE AGGREGATE AMOUNT INVESTED BY SUCH INVESTOR IN THE SHARES.

**28. NOTICE TO NEBRASKA RESIDENTS ONLY:** IF AN INVESTOR ACCEPTS AN OFFER TO PURCHASE ANY OF THE SECURITIES, THE INVESTOR IS HEREBY ADVISED THE SECURITIES WILL BE SOLD TO AND ACQUIRED BY IT/HIM/HER IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER CHAPTER 15 OF THE NEBRASKA SECURITIES LAW AND MAY NOT BE RE-OFFERED

FOR SALE, TRANSFERRED, OR RESOLD EXCEPT IN COMPLIANCE WITH SUCH ACT AND APPLICABLE RULES PROMULGATED THEREUNDER.

**29. NOTICE TO NEVADA RESIDENTS ONLY:** IF ANY INVESTOR ACCEPTS ANY OFFER TO PURCHASE THE SECURITIES, THE INVESTOR IS HEREBY ADVISED THE SECURITIES WILL BE SOLD TO AND ACQUIRED BY IT/HIM/HER IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 49:3-60(b) OF THE NEVADA SECURITIES LAW. THE INVESTOR IS HEREBY ADVISED THAT THE ATTORNEY GENERAL OF THE STATE OF NEVADA HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING AND THE FILING OF THE OFFERING WITH THE BUREAU OF SECURITIES DOES NOT CONSTITUTE APPROVAL OF THE ISSUE, OR SALE THEREOF, BY THE BUREAU OF SECURITIES OR THE DEPARTMENT OF LAW AND PUBLIC SAFETY OF THE STATE OF NEVADA. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. NEVADA ALLOWS THE SALE OF SECURITIES TO 25 OR FEWER PURCHASERS IN THE STATE WITHOUT REGISTRATION. HOWEVER, CERTAIN CONDITIONS APPLY, I.E., THERE CAN BE NO GENERAL ADVERTISING OR SOLICITATION AND COMMISSIONS ARE LIMITED TO LICENSED BROKER-DEALERS. THIS EXEMPTION IS GENERALLY USED WHERE THE PROSPECTIVE INVESTOR IS ALREADY KNOWN AND HAS A PRE-EXISTING RELATIONSHIP WITH THE COMPANY. (SEE NRS 90.530.11.)

**30. NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY:** NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE UNDER THIS CHAPTER HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

**31. NOTICE TO NEW JERSEY RESIDENTS ONLY:** IF YOU ARE A NEW JERSEY RESIDENT AND YOU ACCEPT AN OFFER TO PURCHASE THESE SECURITIES PURSUANT TO THIS MEMORANDUM, YOU ARE HEREBY ADVISED THAT THIS MEMORANDUM HAS NOT BEEN FILED WITH OR REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY PRIOR TO ITS ISSUANCE AND USE. THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

**32. NOTICE TO NEW MEXICO RESIDENTS ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES DIVISION OF THE NEW MEXICO DEPARTMENT OF BANKING NOR HAS THE SECURITIES DIVISION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**33. NOTICE TO NEW YORK RESIDENTS ONLY:** THIS DOCUMENT HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK PRIOR TO ITS ISSUANCE AND USE. THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE COMPANY HAS TAKEN NO STEPS TO CREATE AN AFTER MARKET FOR THE SHARES OFFERED HEREIN AND HAS MADE NO ARRANGEMENTS WITH BROKERS OF OTHERS TO TRADE OR MAKE A MARKET IN THE SHARES. AT SOME TIME IN THE FUTURE, THE COMPANY MAY ATTEMPT TO ARRANGE FOR INTERESTED BROKERS TO TRADE OR MAKE A MARKET IN THE SECURITIES AND TO QUOTE THE SAME IN A PUBLISHED QUOTATION MEDIUM, HOWEVER, NO SUCH ARRANGEMENTS HAVE BEEN MADE AND THERE IS NO ASSURANCE THAT ANY BROKERS WILL EVER HAVE SUCH AN INTEREST IN THE SECURITIES OF THE COMPANY OR THAT THERE WILL EVER BE A MARKET THEREFORE.

**34. NOTICE TO NORTH CAROLINA RESIDENTS ONLY:** IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FORGOING AUTHORITIES HAVE NOT CONFIRMED ACCURACY OR DETERMINED ADEQUACY OF THIS DOCUMENT. REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

**35. NOTICE TO NORTH DAKOTA RESIDENTS ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**36. NOTICE TO OHIO RESIDENTS ONLY:** IF AN INVESTOR ACCEPTS AN OFFER TO PURCHASE ANY OF THE SECURITIES, THE INVESTOR IS HEREBY ADVISED THE SECURITIES WILL BE SOLD TO AND ACQUIRED BY IT/HIM/HER IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 107.03(2) OF THE OHIO SECURITIES LAW AND MAY NOT BE RE-OFFERED FOR SALE, TRANSFERRED, OR RESOLD EXCEPT IN COMPLIANCE WITH SUCH ACT AND APPLICABLE RULES PROMULGATED THEREUNDER.

**37. NOTICE TO OKLAHOMA RESIDENTS ONLY:** THESE SECURITIES ARE OFFERED FOR SALE IN THE STATE OF OKLAHOMA IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION FOR PRIVATE OFFERINGS. ALTHOUGH A PRIOR FILING OF THIS MEMORANDUM AND THE INFORMATION HAS BEEN MADE WITH THE OKLAHOMA SECURITIES COMMISSION, SUCH FILING IS PERMISSIVE ONLY AND DOES NOT CONSTITUTE AN APPROVAL, RECOMMENDATION OR ENDORSEMENT, AND IN NO SENSE IS TO BE REPRESENTED AS AN INDICATION OF THE INVESTMENT MERIT OF SUCH SECURITIES. ANY SUCH REPRESENTATION IS UNLAWFUL.

**38. NOTICE TO OREGON RESIDENTS ONLY:** THE SECURITIES OFFERED HAVE BEEN REGISTERED WITH THE CORPORATION COMMISSION OF THE STATE OF OREGON UNDER PROVISIONS OF OAR 815 DIVISION 36. THE INVESTOR IS ADVISED THAT THE COMMISSIONER HAS MADE ONLY A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THIS DOCUMENT SINCE THE DOCUMENT IS NOT REQUIRED TO BE FILED WITH THE COMMISSIONER. THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE COMPANY CREATING THE SECURITIES, AND THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED IN MAKING AN INVESTMENT DECISION ON THESE SECURITIES.

**39. NOTICE TO PENNSYLVANIA RESIDENTS ONLY:** EACH PERSON WHO ACCEPTS AN OFFER TO PURCHASE SECURITIES EXEMPTED FROM REGISTRATION BY SECTION 203(d), DIRECTLY FROM THE ISSUER OR AFFILIATE OF THIS ISSUER, SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE WITHOUT INCURRING ANY LIABILITY TO THE SELLER, UNDERWRITER (IF ANY) OR ANY OTHER PERSON WITHIN TWO (2) BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE ISSUER OF HIS WRITTEN BINDING CONTRACT OF PURCHASE OR, IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO BINDING CONTRACT OF PURCHASE, WITHIN TWO (2) BUSINESS DAYS AFTER HE MAKES THE INITIAL PAYMENT FOR THE SECURITIES BEING OFFERED. IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES MADE PURSUANT TO A MEMORANDUM WHICH CONTAINS A NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE PURSUANT TO SECTION 207(m) OF THE PENNSYLVANIA SECURITIES ACT OF 1972 (70 PS § 1-207(m)), YOU MAY ELECT, WITHIN TWO (2) BUSINESS DAYS AFTER THE FIRST TIME YOU HAVE RECEIVED THIS NOTICE AND A MEMORANDUM TO WITHDRAW FROM YOUR PURCHASE AGREEMENT AND RECEIVE A FULL REFUND OF ALL MONEYS PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A LETTER OR TELEGRAM TO THE ISSUER (OR UNDERWRITER IF ONE IS LISTED ON THE FRONT PAGE OF THE MEMORANDUM) INDICATING YOUR INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IF YOU ARE SENDING A LETTER, IT IS PRUDENT TO SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO EVIDENCE THE TIME WHEN IT WAS MAILED. SHOULD YOU MAKE THIS REQUEST ORALLY, YOU SHOULD ASK WRITTEN CONFIRMATION THAT YOUR REQUEST HAS BEEN RECEIVED. NO SALE OF THE SECURITIES WILL BE MADE TO RESIDENTS OF THE STATE OF PENNSYLVANIA WHO ARE NON-ACCREDITED INVESTORS IF THE AMOUNT OF SUCH INVESTMENT IN THE SECURITIES WOULD EXCEED TWENTY (20%) OF SUCH INVESTOR'S NET WORTH (EXCLUDING PRINCIPAL RESIDENCE, FURNISHINGS THEREIN AND PERSONAL AUTOMOBILES). EACH PENNSYLVANIA RESIDENT MUST AGREE NOT TO SELL THESE SECURITIES FOR A PERIOD OF TWELVE (12) MONTHS AFTER THE DATE OF PURCHASE, EXCEPT IN ACCORDANCE WITH WAIVERS ESTABLISHED BY RULE OR ORDER OF THE COMMISSION. THE SECURITIES HAVE BEEN ISSUED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE PENNSYLVANIA SECURITIES ACT OF 1972. NO SUBSEQUENT RESALE OR OTHER DISPOSITION OF THE SECURITIES MAY BE MADE WITHIN 12 MONTHS FOLLOWING THEIR INITIAL SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION, EXCEPT IN ACCORDANCE WITH WAIVERS ESTABLISHED BY RULE OR ORDER OF THE COMMISSION, AND THEREAFTER ONLY PURSUANT TO AN EFFECTIVE REGISTRATION OR EXEMPTION.

**40. NOTICE TO RHODE ISLAND RESIDENTS ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE DEPARTMENT OF BUSINESS REGULATION OF THE STATE OF RHODE ISLAND NOR HAS THE DIRECTOR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

**41. NOTICE TO SOUTH CAROLINA RESIDENTS ONLY:** THESE SECURITIES ARE BEING OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE SOUTH CAROLINA UNIFORM SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE SOUTH CAROLINA SECURITIES COMMISSIONER. THE COMMISSIONER DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**42. NOTICE TO SOUTH DAKOTA RESIDENTS ONLY:** THESE SECURITIES ARE BEING OFFERED FOR SALE IN THE STATE OF SOUTH DAKOTA PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SOUTH DAKOTA BLUE SKY LAW, CHAPTER 47-31, WITH THE DIRECTOR OF THE DIVISION OF SECURITIES OF THE DEPARTMENT OF COMMERCE AND REGULATION OF THE STATE OF SOUTH DAKOTA. THE EXEMPTION DOES NOT CONSTITUTE A FINDING THAT THIS MEMORANDUM IS TRUE, COMPLETE, AND NOT MISLEADING, NOR HAS THE DIRECTOR OF THE DIVISION OF SECURITIES PASSED IN ANY WAY UPON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**43. NOTICE TO TENNESSEE RESIDENT ONLY:** IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD. EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

**44. NOTICE TO TEXAS RESIDENTS ONLY:** THE SECURITIES OFFERED HEREUNDER HAVE NOT BEEN REGISTERED UNDER APPLICABLE TEXAS SECURITIES LAWS AND, THEREFORE, ANY PURCHASER THEREOF MUST BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME BECAUSE THE SECURITIES CANNOT BE RESOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER SUCH SECURITIES LAWS OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. FURTHER, PURSUANT TO §109.13 UNDER THE TEXAS SECURITIES ACT, THE COMPANY IS REQUIRED TO APPRISE PROSPECTIVE INVESTORS OF THE FOLLOWING: A LEGEND SHALL BE PLACED, UPON ISSUANCE, ON CERTIFICATES REPRESENTING SECURITIES PURCHASED



HEREUNDER, AND ANY PURCHASER HEREUNDER SHALL BE REQUIRED TO SIGN A WRITTEN AGREEMENT THAT HE WILL NOT SELL THE SUBJECT SECURITIES WITHOUT REGISTRATION UNDER APPLICABLE SECURITIES LAWS, OR EXEMPTIONS THEREFROM.

**45. NOTICE TO UTAH RESIDENTS ONLY:** THESE SECURITIES ARE BEING OFFERED IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE UTAH SECURITIES ACT. THE SECURITIES CANNOT BE TRANSFERRED OR SOLD EXCEPT IN TRANSACTIONS WHICH ARE EXEMPT UNDER THE ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR IN A TRANSACTION WHICH IS OTHERWISE IN COMPLIANCE WITH THE ACT.

**46. NOTICE TO VERMONT RESIDENTS ONLY:** THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES DIVISION OF THE STATE OF VERMONT NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

**47. NOTICE TO VIRGINIA RESIDENTS ONLY:** IF AN INVESTOR ACCEPTS AN OFFER TO PURCHASE ANY OF THE SECURITIES, THE INVESTOR IS HEREBY ADVISED THE SECURITIES WILL BE SOLD TO AND ACQUIRED BY IT/HIM/HER IN A TRANSACTION UNDER SECTION 13.1-514 OF THE VIRGINIA SECURITIES ACT AND MAY NOT BE RE-OFFERED FOR SALE, TRANSFERRED, OR RESOLD EXCEPT IN COMPLIANCE WITH SUCH ACT AND APPLICABLE RULES PROMULGATED THEREUNDER.

**48. NOTICE TO WASHINGTON RESIDENTS ONLY:** THE ADMINISTRATOR OF SECURITIES HAS NOT REVIEWED THE OFFERING OR PRIVATE PLACEMENT MEMORANDUM AND THE SECURITIES HAVE NOT BEEN REGISTERED IN RELIANCE UPON THE SECURITIES ACT OF WASHINGTON, CHAPTER 21.20 RCW, AND THEREFORE, CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT OF WASHINGTON, CHAPTER 21.20 RCW, OR UNLESS AN EXEMPTION FROM REGISTRATION IS MADE AVAILABLE.

**49. NOTICE TO WEST VIRGINIA RESIDENTS ONLY:** IF AN INVESTOR ACCEPTS AN OFFER TO PURCHASE ANY OF THE SECURITIES, THE INVESTOR IS HEREBY ADVISED THE SECURITIES WILL BE SOLD TO AND ACQUIRED BY IT/HIM/HER IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 15.06(b)(9) OF THE WEST VIRGINIA SECURITIES LAW AND MAY NOT BE REOFFERED FOR SALE, TRANSFERRED, OR RESOLD EXCEPT IN COMPLIANCE WITH SUCH ACT AND APPLICABLE RULES PROMULGATED THEREUNDER.

**50. NOTICE TO WISCONSIN RESIDENTS ONLY:** IN ADDITION TO THE INVESTOR SUITABILITY STANDARDS THAT ARE OTHERWISE APPLICABLE, ANY INVESTOR WHO IS A WISCONSIN RESIDENT MUST HAVE A NET WORTH (EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES) IN EXCESS OF THREE AND ONE-THIRD (3 1/3) TIMES THE AGGREGATE AMOUNT INVESTED BY SUCH INVESTOR IN THE SHARES OFFERED HEREIN.

**51. FOR WYOMING RESIDENTS ONLY:** ALL WYOMING RESIDENTS WHO SUBSCRIBE TO PURCHASE SHARES OFFERED BY THE COMPANY MUST SATISFY THE FOLLOWING MINIMUM FINANCIAL SUITABILITY REQUIREMENTS IN ORDER TO PURCHASE SHARES:

(1) A NET WORTH (EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES) OF TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000 );

AND

(2) THE PURCHASE PRICE OF SHARES SUBSCRIBED FOR MAY NOT EXCEED TWENTY PERCENT (20%) OF THE NET WORTH OF THE SUBSCRIBER;

AND

(3) "TAXABLE INCOME" AS DEFINED IN SECTION 63 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, DURING THE LAST TAX YEAR AND ESTIMATED "TAXABLE INCOME" DURING THE CURRENT TAX YEAR SUBJECT TO A FEDERAL INCOME TAX RATE OF NOT LESS THAN THIRTY-THREE PERCENT (33%).

IN ORDER TO VERIFY THE FOREGOING, ALL SUBSCRIBERS WHO ARE WYOMING RESIDENTS WILL BE REQUIRED TO REPRESENT IN THE SUBSCRIPTION AGREEMENT THAT THEY MEET THESE WYOMING SPECIAL INVESTOR SUITABILITY REQUIREMENTS.

During the course of the Offering and prior to any sale, each offeree of the Shares and his or her professional advisor(s), if any, are invited to ask questions concerning the terms and conditions of the Offering and to obtain any additional information necessary to verify the accuracy of the information set forth herein. Such information will be provided to the extent the Company possess such information or can acquire it without unreasonable effort or expense.

**EACH PROSPECTIVE INVESTOR WILL BE GIVEN AN OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, MANAGEMENT OF THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORTS OR EXPENSE, NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM. IF YOU HAVE ANY QUESTIONS WHATSOEVER REGARDING THIS OFFERING, OR DESIRE ANY ADDITIONAL INFORMATION OR DOCUMENTS TO VERIFY OR SUPPLEMENT THE INFORMATION CONTAINED IN THIS MEMORANDUM, PLEASE WRITE OR CALL CAPQ BDC INC. AT THE ADDRESS AND NUMBER LISTED ON THE FRONT OF THIS PRIVATE OFFERING MEMORANDUM.**

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## **ABOUT THIS MEMORANDUM**

This Memorandum is part of a private placement Memorandum provided in connection with a private offering of unregistered securities. As we make material investments or have other material developments, we may periodically supplement or amend this Memorandum to add, update or change information contained herein to the extent permitted or required under the rules and regulations promulgated by the SEC. This applies, particularly if our NAV per share: (i) declines more than 10% from the NAV per share as of the effective date of this offering or (ii) increases more than the net proceeds per share, as stated in this Memorandum.

You should rely ONLY on the information contained in this Memorandum, as it may be amended from time to time. Shares will be offered by Capital Q Management LLC its BDC Manager. Capital Q Management LLC reserves the right to hire a qualified Investment Bank to act as our private transaction Dealer Manager to act as the Managing Dealer in offering the BDC to FINRA Broker / Dealers, in this context also referred to herein as the BDC's "Dealer Manager". Neither we nor our Dealer Manager have authorized any other person to provide you with information other than that contained in this Memorandum. If anyone provides you with materially different or inconsistent information, you should not rely on it. We are not, and the Dealer Manager is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this Memorandum is accurate only as of the date of this Memorandum, and although such information is believed to be reliable for the purpose used herein, none of the BDC, the BDC Manager or any of their respective directors, officers, employees, members, partners, shareholders, or affiliates assumes any responsibility for the accuracy or completeness of such information. Our business, financial condition and prospects may have changed since the date hereof, and except as required by applicable law, we assume no obligation to update this Memorandum during the private offering period in order to revise the disclosures contained herein.

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements in this Memorandum may constitute forward-looking statements because they relate to future events or our future financial conditions. Forward-looking statements are typically identified by words or phrases such as "trend", "opportunity", "pipeline", "believe", "comfortable", "expect", "anticipate", "current", "intention", "estimate", "position", "assume", "potential", "outlook", "continue", "remain", "maintain", "sustain", "seek", "achieve" and similar expressions, or future or conditional verbs such as "will", "would", "should", "could", "may" or similar expressions. The use of forecasts in this offering is prohibited. Any representations to the contrary or any predictions, written or oral, as to the amount or certainty of any present or future cash benefit or tax consequence relating to an investment in the BDC is not permitted. The forward-looking statements contained in this Memorandum involve risks and uncertainties, including, but not limited to, statements as to:

- our, our portfolio companies' future business, operations, operating results or prospects;
- the return or impact of current and future investments;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of fluctuations in interest rates on our business;
- the impact of changes in laws or regulations (including the interpretation thereof) governing our operations;
- the valuation of our investments, particularly those having no liquid trading market;
- our ability to recover unrealized losses;
- market conditions and our ability to access alternative debt markets and additional debt and equity capital;
- our contractual arrangements and relationships with third parties;
- the general economy and its impact on the industries in which we invest;
- the uncertainty surrounding the strength of the U.S. economy;
- the financial condition and ability of our BDC and our current and prospective portfolio companies to achieve their objectives;
- our expected financing and investments;
- our ability to successfully complete and integrate any acquisitions;
- the adequacy of our cash resources and working capital;
- the timing, form and amount of any dividend distributions;
- the timing of cash flows, if any, from the operations of the Portfolio Companies;
- the ability of our BDC to locate suitable investments for us;

- the ability of our BDC Manager, Capital Q Management LLC's, to identify, hire and retain highly qualified personnel in the future; and
- changes in accounting policies generally accepted in the United States of America ("GAAP").

We have based the forward-looking statements included in this Memorandum on information available to us on or prior to the date of this Memorandum, and we assume no obligation to update any such forward-looking statements. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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## EXECUTIVE SUMMARY

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### Capital Q Ventures Inc. - Our Parent Company

Founded in 2017, our parent company Capital Q® Ventures Inc. a Florida Sub Chapter M – Regulated Investment Company, intends on becoming the most ground-breaking alternative investment managers. Capital Q Ventures Inc. sponsors its proprietary Tri-Party Venture Funds® and our company CAPQ BDC Inc. a "Full-Stack Venture Capital BDC".

With a vision to be the most innovative alternative fund manager and change the way investors work with both well-established (older than 20 years) private companies along with serving younger entrepreneurs and early-stage companies to reduce the friction in securing all-rounds of funding.

Once companies are accepted as Venture Partners or into our Capital Partnership Program, we invest or syndicate all funding rounds, for both the older companies as Venture Partner in Tri-Party Venture Funds®, but also the early and emerging growth stage companies as Capital Partners into CAPQ BDC Inc. our Full-Stack Venture Capital BDC.

### CAPQ BDC Inc.

CAPQ BDC Inc. d/b/a Capital Q® Business Development Company, (the “Company” or the “*BDC*”) is an externally managed closed-end investment management company that is specifically regulated by the Investment Company Act of 1940, as amended (the 1940 Act). The BDC has elected to be subject to the provisions of Sections 55 through 65 of the 1940 Act. The Company was organized as a Florida Corporation on March 20, 2019, to operate as a private (non-publicly traded) “Full-Stack Venture Capital BDC”, as defined herein. The Company exclusively invested Seed Capital provided by its Sponsor Capital Q Ventures, Inc. and began a limited private offering of its shares to Investors on June 1, 2022.

### Business Development Company

The U.S. Congress created business development companies in 1980 to fuel job growth and assist emerging U.S. businesses in raising funds. BDCs are closely involved in providing advice about the operations of their portfolio companies.

Under the current regulation a BDC must invest at least 70% of its assets in private or public U.S. firms with market values of less than \$250 million. These companies are often young businesses, seeking financing, or firms that are suffering or emerging from financial difficulties. The BDC must also provide managerial assistance to the companies in its portfolio to remain compliant Section 54 of the Investment Company Act of 1940.

As a result of this special investment purpose, BDCs are exempt from certain regulatory constraints imposed by the 1940 Act on traditional investment companies and generally benefit from passthrough tax treatment (i.e., where the entity is not taxed, and the tax is passed on to the owners of the entity).

Given the limited access to, and availability of, financing from traditional bank lenders, BDCs have recently played an important and increasing role as a crucial source of capital and liquidity to small and mid-sized companies that may not be able to otherwise obtain financing or do so at attractive rates. While the majority of BDCs have a class of equity securities that is listed on a national securities exchange, many have elected to remain private. A private BDC is one that offers and sells its securities in a private placement to accredited third-

party investors without registering the offer of its securities under the Securities Act of 1933, as amended (the Securities Act).

More than ten private BDCs have been brought to market since 2016. Private BDCs are usually sponsored or formed by parent private equity firms or financial institutions that already have the necessary pre-existing relationships with stakeholders who originate transactions to maintain a pipeline of projects or “deal-flow.”

Notwithstanding the absence of a public securities offering, the private BDC must still comply with the Securities Exchange Act of 1934, as amended (the Exchange Act), reporting requirements similar to its public company BDC peers because it is required to register , or file an exception from registration, under the 1940 Act.

**Investment Thesis for Our BDC**

The BDC’s investment thesis is to capitalize on debt and equity opportunities with a balanced approach to provide for current income and long terms capital appreciation of its investment. The BDC seeks to achieve this objective through disciplined portfolio analyses, of its international deal origination network and through its novel portfolio company mentoring program.

Capital Q® Management LLC, a Florida limited liability company, serves as the BDC Manager (the “*BDC Manager*”) of CAPQ BDC Inc. Under the BDC Management Agreement (as the same may be amended, supplemented or revised from time to time, the “*BDC Management Agreement*”), the BDC Manager is primarily responsible for the day-to-day management of the BDC. The office of the BDC Manager is located at: 100 East Faith Terrace, Suite 1016, Maitland, Florida 32751 and the telephone number is 407.307.2277. The managing members of the BDC Manager are Michael Quatrini and Bruno Quatrini (see Management).

The BDC is presently accepting subscriptions from a limited number of sophisticated investors (as described in the “*Summary of Key Terms*,” below), generally in minimum amounts of not less than \$100,000. The BDC is seeking aggregate capital contributions of \$50,000,000 from its investors. The BDC Manager, in its sole discretion, may increase or decrease the aggregate amount of capital contributions sought by the BDC.

Investors in the BDC will generally be subject to (i) a quarterly management fee, payable in arrears equal to 0.4375% of each investor’s capital account balance as of the end of such quarter; and (ii) beginning twenty-four (24) months after the BDC commences operations, a carried interest equal to 20% of each investor’s ratable share of the BDC’s realized profits with respect to the underlying investments, provided that the BDC Manager will receive no carried interest with respect to an investor until such investor has first received and/or reinvested an aggregate of eight percent (8%) Priority Distribution proceeds from income generated from debt and by the sale of underlying investments and distributions of capital gains to investor’s, the Priority Distributions is based on the aggregate capital contributions to the BDC.

An investment in the BDC is illiquid. Investors may not voluntarily withdraw any capital from the BDC. In certain circumstances, however, an investor may be required to withdraw from the BDC if the BDC Manager reasonably determines, in its sole discretion, that such investor’s continued participation in the BDC would result in a violation of the applicable laws or could otherwise be expected to have a material adverse effect on the BDC and/or the BDC Manager. Notwithstanding the foregoing, following the twenty-four (24) months of the BDC’s operations, the BDC will distribute, no less than 90% of the realized proceeds from the sale of each underlying investment to investors, provided such investors will have the option to reinvest such realized proceeds rather than receive such distribution.

**DIRECTORY**

<i>The BDC:</i>	CAPQ BDC Inc. 100 East Faith Terrace, Suite 1016 Maitland, Florida 32751 Tel: 407.307.2277
<i>The BDC Manager:</i>	Capital Q® Management LLC
<i>Administrator:</i>	Tower Fund Services*
<i>Accountant:</i>	Drenchko Stephanie Sheradin CPA License #098780 with ZERO TO GRACE ACCOUNTING FIRM

## **INVESTMENT PROGRAM**

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### **Investment Objective**

The Company's investment objective is to capitalize on venture capital early and emerging growth stage companies at an early initial entry point seeking a balance between debt and equity investment opportunities, and then participating or syndicating co-investments and follow-on investments directly or through third parties, throughout the companies' lifecycle and within the entire capital stack, creating what the Company, defines as a "Full-Stack Venture Capital BDC". Venture Debt Investments create current income while venture equity positions create capital appreciation and both debt and equity investments are held until the portfolio companies are likely to successfully exit the BDC's positions, to either subsequent downline debt investors, (predominately Middle Market BDC and non-bank lender or banks) or through M&A, secondary sales and/or IPOs for the Company's equity harvest strategies.

### **THE "FULL-STACK VENTURE CAPITAL BDC" MODEL**

Debt only, Upper Middle Market BDCs which have traditionally been the predominant participants in the BDC Marketplace. These BDCs have begun to fundamentally alter their business models because they are being pulled by the most innovative firms to partake in equity growth. New balanced debt and equity BDCs have begun to steer the industry and traditional (debt only) BDCs towards debt and equity portfolios. This is creating an increasing demand for balanced debt and equity exposure and to access current income and capital appreciation investments for multiple income and growth dynamics. The Company has created a Full-Stack Venture Capital BDC to meet market demands in the lower emerging marketplace and to become the innovation leader in the BDC industry, which is most desired in the marketplace and favorable for investors seeking a balance of current income and capital appreciation.

While a Full-Stack Venture Capital BDC may be an atypical structure, where the BDC raises money and invests across every stage of their qualifying early-stage companies and also remains free to invest in many types of assets like senior and junior debt, collateralized debt obligations, revenue royalty investments, emerging growth equity, convertibles, Series A through D stage funding rounds, Pre-IPO and even secondaries. Full-Stack Venture Capital BDCs like other BDCs (usually) employ a team of professional advisors or "mentoring" staff to help their portfolio companies, hence not only providing the regulatory mandated managerial assistance required by BDC regulation but have the benefit of an insider's view to help guide the success of their portfolio companies and attempt to mitigate risk from this asset class.

Why do BDC Investors want this? Primarily, because venture capital can be the best performing asset class and access to successful pre-IPO equity investments can be one of the best performing sectors of the public markets. That coupled with the debt investment income, allows for earlier distributions than traditional Venture Capital cohorts.

Why do BDCs want this? Good startups are staying private longer, compelling all-stage investing; much of value accrual is now outside of debt and preferred stock; and equity transactions are more competitive than ever.

The upshot is a significant increase in the complexity of the finance of venture capital. BDCs are responding by becoming more balanced in their approach but our BDC's novel "Full-Stack Venture Capital BDC" methodology should be the preeminent business plan for BDCs in the future. It is the largest change in the BDC industry since the creation of the field in the 1980s and clever companies are poised to transform the BDC industry, which may change the venture capital industry along with it.

### **The FULL-STACK VENTURE CAPITAL BDC as an alternative to Venture Capital and traditional BDCs**

Venture Capital ("VC") has not innovated as much as the tech industry which the vast majority of VCs serve (though the common refrain that venture hasn't innovated at all is probably incorrect). The simple reason for slow innovation for VCs is regulations. Venture Capital exists under a very narrow set of SEC exemptions that allow them to avoid the costly regulations that would normally accompany their product line. The mundane reason is that, until recently, there haven't been many VCs, and competition tends to be the mother of innovation.

But there is also a deeper reason. Tech industry funding trades off business model simplicity to enable more technology and product innovation. Compared to other sectors of business, the tech industry is relatively simple and sometimes even unsophisticated. As tech more deeply penetrates society, and as companies stay private longer, this may no longer be tenable because the increase in complexity means a need for more types of financing and funding partners capable and willing to traverse the full capital stack and issuing both debt and equity, even simultaneously.

The response to all of this is the Company's *Full-Stack Venture Capital BDC* model. Roughly put, the idea is not just investing across all stages and several asset classes while compelling more operational guidance but also offering deal sophistication without undue complexity. The core concept revolves around the idea that companies now engage in financial operations beyond primary venture capital, which itself is now occurring much more in the lifetime of a company (requiring investing in many stages to avoid being diluted into oblivion).

Investors are demanding more traditional middle market BDCs give them access to equity growth, where previously those company were not dissimilar to middle market junk bond funds and factor lenders. Because Full-Stack Venture Capital BDCs already have relationships with the best startups and better understand their needs, they are also in the strongest position to offer every sort of on-time and creative financing that may suit the entrepreneur and reward their investors. It's also impossible to not mention today's creative financing in the form of NFTs and cryptocurrencies which will prove to drive significant determining factors for future financing and valuations. The lesson for Venture Capital and outdated BDCs is that while they may spot great opportunities to invest in ever evolving modern capital structures, their funding models must also evolve to allow them to engage, if and when needed. Most traditional BDCs and Venture Capital Firms simply cannot.

Full-Stack Venture Capital BDCs participate in several different strategies depending on which part of the financial lifecycle they want to attack. Over-time Full-Stack Venture Capital BDCs will compete within all stages by offering diversified financial products and invest in more assets directly. Likewise, by freeing themselves of customary Venture Capital SEC restrictions, Full-Stack Venture Capital BDCs can engage in far more complex financing not even available to VCs (for example, most VC funds generally cannot take on leverage).

Full-Stack Venture Capital BDCs have a preliminary stage that seems similar but is distinct as the all-stage investor. CAPQ BDC intends to raise funds to invest in companies at any stage, often doubling down or leading consecutive rounds in existing portfolio companies or at least maintaining ownership targets across what is now a very long private company lifecycle, which will continue to be the benchmark.

While all Full-Stack Venture Capital BDCs are all-stage, not all BDC charters allow them to be "full-stack". Some BDCs have fought valiantly against becoming debt and equity investors. Most BDCs have built a model around traditional debt investments, so they remain restricted to invest in only debt rounds. Despite doing well to keep their focus, through strict upper middle market debt vehicles, the prediction is that most BDCs will inevitably lose the deal origination battles from what now is a "hand-off" by VCs or lower-level financing partners to those upper middle market BDC lenders. Our Company, as a Full-Stack Venture Capital BDC, is defined by our ability to invest across round and asset classes, so in contrast there is no "hand-off" needed to occur for our deal-flow.

Being a Full-Stack Venture Capital BDC has two interesting propositions which is core to the Company's value proposition that investors can receive a balance of "income and growth". It is a direct repudiation of that common wisdom that "venture capital cannot provide both debt and equity returns, which we are determined to demonstrate to our investors.

### **Limits of Description of Investment Program**

The BDC Manager is not limited by the above discussion of the investment program. Although the investment program is intended to be primarily in debt and equity BDC opportunities, broader investment opportunities may be pursued. Further, the investment program is a strategy as of the date of this Memorandum only. The BDC Manager has wide latitude to invest or trade the BDC's assets, to pursue another particular strategy or tactic, or to change the emphasis without obtaining the approval of the BDC Investors, although the BDC Manager intends to notify BDC Investors before making a material change to the BDC's investment

strategy. The investment program imposes no significant limits on the types of instruments in which the BDC Manager may take positions, the type of positions it may take, its ability to borrow money (within the BDC regulated leverage maximums), or the concentration of investments. The foregoing description is general and is not intended to be exhaustive. Prospective investors must recognize that there are inherent limitations on all descriptions of investment processes due to the complexity, confidentiality, and subjectivity of such processes. In addition, the description of virtually every trading strategy must be qualified by the fact that trading approaches are continually changing, as are the markets invested in by the BDC Manager.

**There can be no assurance that the BDC will achieve its investment objective or avoid substantial losses. An investor should not make an investment in the BDC with the expectation of sheltering income or receiving cash distributions. Investors are urged to consult with their personal advisers before investing in the BDC. Because risks are inherent in all the investments in which the BDC engages, no assurances can be given that the BDC's investment objectives will be realized.**

### MANAGEMENT OF THE BDC

Capital Q<sup>®</sup> Management LLC, a Florida limited liability company, serves as the BDC Manager of the Company. Under the BDC Management Agreement, the BDC Manager is primarily responsible for the management of the BDC. The office of the BDC Manager is located at 100 East Faith Terrace, Suite 1016, Maitland, Florida 32751 and its telephone number is 407.307.2277. The managing members of the BDC Manager Michael Quatrini and Bruno Quatrini (the "*Principals*"). Biographies of the Principals are set forth below.

The BDC Manager is an investment advisor who is Exempt from Registration as an investment adviser with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended (the "*Advisers Act*"), or the securities bureau of any state.

#### **Michael Quatrini.** *Managing Member.*

Mr. Quatrini is a Capital Q<sup>®</sup> founder and was appointed CEO in January 2017. Mr. Quatrini serves as the Chief Investment Officer and Chairman of the Board of Directors and lead the innovation team to invent the new alternative investment fund structure "Tri-Party Venture Fund<sup>®</sup>". Mr. Quatrini is a serial entrepreneur and has extensive venture capital accomplishments. He brings over 25 years of experience in quantitative and qualitative financial analyses and deal-flow due diligence to the Management of Capital Q Ventures' family of funds. Prior to joining the firm, Mr. Quatrini concentrated his efforts in syndicating emerging and growth-stage funding rounds with accredited, institutional investors and family offices as the President and COO of Blackwood Holdings Group, a national venture capital firm. Previously, Mr. Quatrini was the Managing Partner and Chief Financial Officer of NewGate Capital Partners, a Central Florida venture capital firm, where he sourced and syndicated both debt and equity investments to institutional investors, including key transactions with BDCs and private venture capital hedge funds, throughout the United States. Known for substantial deal-flow, that has led to numerous Capital Partnerships with emerging and growth-stage portfolio companies, Mr. Quatrini conceptualized and developed specialty funds, AMEREX – ACRE Fund, MEDiC – Medical Inventory Capital Fund, the NEWGATE – DAVGAR HOSPITALITY FUND, the NEWGATE – WHITE CHALLIS REDEVELOPMENT FUND, the NEWGATE – BLACKWOOD VENTURE CAPITAL FUND and participated in syndicated investments for several leading private equity firms. Mr. Quatrini additionally organized and managed NewGate's business incubator, where he refined proven expertise, not only in portfolio analytics and capital structures but also in entrepreneurial mentoring through Village Cultivators the company's consulting practice, that successfully graduated several companies. Mr. Quatrini was previously known for his prior experience in the entertainment industry as a leader for TBA Global (Think, Believe, Act), Design Group and Multi Entertainment Productions all entertainment production companies and award-winning brand marketers, as well as key involvement in the deal and integration teams for high-profile mergers and acquisitions. Early in his career, Mr. Quatrini worked at Baraban Securities, as a Broker-Dealer and First Investors Corp, NASD Registered Representative. A former the United States Marine Corps Presidential Honor Guard, Mr. Quatrini first studied Personal Finance at The Marine Corps Institute, Washington DC, (now Marine Corps University) and at George Washington University, more recently at The Wharton School of the University of Pennsylvania



for an Executive MBA in Business Analytics and remains an autodidact with a passion for mentoring entrepreneurs.

**Bruno V Quatirni.** *Managing Member.*

Bruno is a Capital Q® Founder and Executive Vice President & Senior Investment Analyst who brings his distinctive quantitative analytical skills to Capital Q Ventures, where he manages the embedded Tri-Party Venture Fund® analyst teams, assisting our Venture Partners Sponsors. Immediately prior to joining Capital Q, Bruno was an Analyst with FS Investments (formerly Franklin Square Capital Partners) one of the leading asset management firms providing access to alternative investments and a key source of income and growth capital returns for institutional investors. Previously Bruno worked at BYN Mellon as a Senior Analyst in their Tri-Party Repo department overseeing compliance, geared toward reducing systemic companywide risk, “practically” eliminating intraday credit risk and enabling market participants to continue to efficiently and effectively fund their operations. Bruno started his finance career as a Venture Capital Analyst at Blackwood Holdings Group. While attending Rollins College, Bruno graduated with a Bachelor’s in Business Management with a concentration in finance, and a Minor in Communications. Bruno also became the youngest ever Head Coach of Florida High School Athletic Association – AAA High School Wrestling, at his high school alma mater Winter Park High School, where while attending, Bruno qualified for the Junior and Cadet National Championships in Greco Roman and Freestyle Wrestling.

Stock held by the BDC Manager, and its affiliates will not be subject to the Management Fee or the Carried Interest (as such terms are defined elsewhere in this Memorandum) but will share *pro rata* in all other expenses and liabilities of the BDC.

The BDC Manager and the Principals may, from time to time, provide investment advice to separate account clients and other pooled investment vehicles that may, from time to time, invest in some of the same financial instruments and pursue similar investment strategies as those of the BDC. The BDC Manager may amend the BDC Management Agreement in certain circumstances without the consent of the BDC Investors.

### **Governance (Installed June 1, 2023)**

On June 1, 2023 CAPQ BDC Inc. announced the installation of a new predominantly independent seven-member Board of Directors, effective immediately. This strategic move marks a significant milestone in the company's ongoing commitment to governance excellence and aligning its leadership with the best interests of investors, entrepreneurs, and stakeholders.

**Michael "Q" Quatrini, CHAIRMAN OF THE BOARD:** Michael "Q" Quatrini is a co-founder of Capital Q® and has been serving as the CEO and Chairman since January 2017. With a remarkable career spanning over 25 years, he brings a wealth of expertise in quantitative and qualitative financial analyses and deal-flow due diligence to the management of Capital Q Ventures' family of funds.

Prior to his role at Capital Q Ventures, Mr. Quatrini made significant contributions to the venture capital industry. As the President and COO of Blackwood Holdings Group, he focused on syndicating funding rounds with accredited institutional investors and family offices. Additionally, he served as the Managing Partner and CFO of NewGate Capital Partners, where he sourced and syndicated debt and equity investments to institutional investors nationwide.

Mr. Quatrini's substantial deal-flow and expertise have resulted in numerous Capital Partnerships with emerging and growth-stage portfolio companies. He conceptualized and developed specialty funds, such as AMEREX - ACRE Fund and MEDiC - Medical Inventory Capital Fund, and played a vital role in syndicated investments for leading private equity firms.

With a background in the entertainment industry and experience in high-profile mergers and acquisitions, Mr. Quatrini brings a unique perspective to the board. A former member of the United States Marine Corps Presidential Honor Guard, he is dedicated to mentoring entrepreneurs and has a passion for empowering emerging businesses.

As Chairman of the Board, Mr. Quatrini leads Capital Q Ventures with his visionary approach and extensive experience. His commitment to driving the success of portfolio companies and his dedication to fostering growth make him an invaluable asset to the firm.

**Bruno Quatrini: COO and Board of Directors Secretary:** Bruno, a Capital Q® Founder, serves as the Executive Vice President & Senior Investment Analyst at Capital Q Ventures, bringing his exceptional quantitative analytical skills to the forefront. In his role, Bruno oversees the embedded Tri-Party Venture Fund® analyst teams, providing invaluable support to our Venture Partner Sponsors.

With prior experience as an Analyst at FS Investments (formerly Franklin Square Capital Partners), Bruno played a crucial role in delivering income and growth capital returns to institutional investors. He also held a senior role at BYN Mellon, where he focused on reducing systemic company-wide risk and facilitating efficient funding operations through compliance oversight in the Tri-Party Repo department.

Bruno's finance career began as a Venture Capital Analyst at Blackwood Holdings Group. Graduating from Rollins College with a Bachelor's degree in Business Management and a Minor in Communications, Bruno's academic achievements are complemented by his impressive coaching tenure as the youngest ever Head Coach of Florida High School Athletic Association - AAA High School Wrestling at Winter Park High School.

As the COO and Secretary of the Board of Directors at Capital Q Ventures, Bruno's expertise and multifaceted background contribute to the firm's operational efficiency and strategic decision-making. His dedication to quantitative analysis and risk management ensures the continued success and growth of the company.

**Laila Witwicky: Venture Partner,** Capital Q Ventures Inc. is thrilled to announce the appointment of Laila Witwicky as a new board member, adding her extensive construction development and international project management experience to the team. With a remarkable portfolio spanning complex projects both in the United States and several foreign countries, Laila brings a wealth of expertise to her role.

Laila's responsibilities have encompassed finance, marketing, and public relations, making her a valuable asset in driving the successful completion of each venture. Her adeptness and passion for overseeing projects exceeding \$500,000,000 have solidified Daniel Corporation's reputation as a prominent player in today's business landscape.

As Laila joins the board of Capital Q Ventures Inc., her vast knowledge and outstanding leadership skills will greatly enhance the collective expertise. Her strategic insights will be instrumental in guiding the firm's investment initiatives, identifying new opportunities, and fostering sustainable growth.

We warmly welcome Laila Witwicky to the Capital Q Ventures Inc. team, confident that her exceptional career and unwavering commitment to excellence will contribute significantly to our continued success. With her profound understanding of the industry, we are poised to navigate the investment landscape with even greater confidence, creating impactful ventures and delivering exceptional value to our stakeholders.

**Mercedes Wechsler (Independent):** Capital Q Ventures welcomes Mercedes Wechsler as a new board member, bringing a diverse range of skills and experience to her role. With a background in engineering and law, Mercedes's expertise spans multiple disciplines.

Mercedes began her career in the military defense industry and later transitioned to law, earning her Juris Doctorate from the University of Florida. As a licensed attorney in Florida, she has practiced law in various areas, including product liability, insurance defense, and family law.

As the owner and operator of her own family law firm since 2002, Mercedes has gained extensive experience managing a variety of cases and has been recognized as an expert on attorney's fees in family law matters. Her involvement in professional organizations, such as the Florida Bar Association and the Orange County Bar Association, demonstrates her commitment to the legal community.

Mercedes's diverse expertise and esteemed background make her a valuable addition to the board of Capital Q Ventures. Her insights and perspective will contribute to the firm's strategic decision-making, supporting its commitment to excellence and success.

Capital Q Ventures is excited to have Mercedes Wechsler on board and looks forward to leveraging her extensive experience and legal acumen to drive the company's growth and deliver exceptional value to its stakeholders.

**Joseph M. Deitz (Independent):** Joseph M. Deitz brings over 35 years of commercial and community banking experience as he joins Capital Q Ventures' esteemed Board of Directors. Throughout his extensive career, Joe has consistently demonstrated his vast financial knowledge and unwavering commitment to supporting clients and prospects in achieving success in their businesses.

Having held various management positions, Joe has catered to a diverse clientele, including large and small commercial businesses, contractors, developers, and retail enterprises. With a portfolio exceeding \$35 million, he has leveraged his expertise to provide invaluable guidance, enabling businesses to thrive and flourish.

In the latter phase of his career, Joe focused on new business development, collaborating with successful entrepreneurs to identify growth opportunities and establish fruitful partnerships. His deep understanding of finance and dedication to fostering entrepreneurial endeavors have solidified his reputation as a trusted advisor and catalyst for business growth.

Capital Q Ventures is delighted to welcome Joseph M. Deitz to the board, recognizing the immense value his experience and expertise bring to the strategic direction of the company. His appointment further strengthens the board's capabilities, ensuring continued growth and delivering exceptional results for investors and entrepreneurs.

With his exceptional background and proven track record, Joseph M. Deitz is poised to make significant contributions to Capital Q Ventures' ongoing success, fortifying the firm's position as a leading player in the industry.

**Micah Strader (Independent):** Micah Strader brings over a decade of exceptional experience in real estate transactions and strategic advisory to the esteemed Board of Directors at Capital Q Ventures. With a strong background in leasing, capital markets, development, and strategy, Micah has consistently delivered outstanding results across multiple market cycles.

Starting his career at CBRE, Inc. in 2004, Micah completed remarkable transactions totaling 5,400,000 square feet, providing expert guidance to clients in various real estate aspects. Currently serving as a Managing Director at JLL since 2019, Micah focuses on optimizing value for owners of office properties through effective leasing and sales strategies.

Micah's significant achievements include representing West Second Street Associates in the redevelopment of a CBD asset for a long-term lease with the federal government, securing anchor tenants for major projects, and facilitating market-leading sales. Recognized as a CoStar Power Broker since 2012, Micah's expertise and dedication have earned him accolades in the industry.

Capital Q Ventures warmly welcomes Micah Strader to the board, appreciating his extensive knowledge and proven track record. His strategic insights and profound understanding of the real estate market will play a vital role in shaping the company's investment decisions and driving long-term success.

With his exceptional achievements and commitment to excellence, Micah Strader is poised to make significant contributions to Capital Q Ventures, further solidifying the firm's position as a leader in the alternative asset management industry.

**Board Seat 7: (Independent):** Vacant as of June 1, 2023

### **SUMMARY OF KEY TERMS**

The following is a summary of certain of the principal terms governing an investment in CAPQ BDC Inc. This summary is not complete and is qualified in its entirety by reference to the more detailed information set forth elsewhere in this Memorandum and by the terms and conditions of the BDC Management Agreement, each of which should be read carefully by any prospective investor before investing. Prospective investors are urged to read the entire Memorandum and to seek the advice of their own counsel, tax consultants and business advisors with respect to the legal, tax and business aspects of investing in the BDC. Capitalized terms used herein and not otherwise defined will have the same meaning as set forth in the BDC Management Agreement. If any

disclosure made herein is inconsistent with any provision of the BDC Management Agreement, the provision of the BDC Management Agreement will control.

**THE BDC:** CAPQ BDC Inc. d/b/a Capital Q® Business Development Company, (the “Company” or the “**BDC**”) is an externally managed closed-end investment management company that is Specifically regulated by the Investment Company Act of 1940, as amended (the 1940 Act) who elected to be subject to the provisions of Sections 55 through 65 of the 1940 Act. The Company was organized as a Florida corporation on March 20, 2019 to operate as a private (non-publicly traded) Full-Stack Venture Capital BDC.

**THE BDC MANAGER:** The BDC Manager of the BDC is Capital Q® Management LLC, a Florida limited liability company. Under the BDC Management Agreement, the BDC Manager is primarily responsible for the management of the BDC.

**ELIGIBLE INVESTORS:** Shares in the BDC are being offered under the 3(c)(1) exemption of the Investment Company Act for investment by up to one hundred (100) persons who are “accredited investors” as defined in Rule 501(a) of Regulation D under the Securities Act.

The Shares will not be registered under the Securities Act or the securities laws of any state or any other jurisdiction, nor is any such registration contemplated.

An investment in the BDC will be suitable only for investors who have adequate means of providing for current needs and personal contingencies, can bear the economic risk of the investment, and have no need for liquidity in the investment. Investors will be required to make representations to the foregoing effect to the BDC as a condition to acceptance of their subscription.

The BDC is seeking aggregate capital contributions of \$50,000,000 from its investors. The BDC Manager, in its sole discretion, may increase or decrease the aggregate amount of capital contributions sought by the BDC.

The BDC will establish and maintain on its books a capital account (“**Capital Account**”) for each Shareholder (each, a “**Shareholder**,” and collectively with the BDC Manager, the “**Investors**”) into which its capital contribution(s) will be credited and in which certain other transactions will be reflected. (See “**Profits and Losses**,” below). At the beginning of each accounting period, an allocation percentage (the “**Allocation Percentage**”) will be determined for each Shareholder by dividing such Stockholder’s Capital Account balance as of the beginning of such period by the aggregate Capital Account balances of all Investors as of the beginning of such period.

The minimum capital contribution of a Shareholder is \$100,000, although subscriptions for lesser amounts may be accepted with respect to particular BDC Investors in the sole discretion of the BDC Manager. The BDC Manager may, in its sole discretion, elect to temporarily or permanently suspend the offering of Shares. The BDC Manager may, in its sole discretion, reject any subscription request for any reason or no reason.

The BDC does not expect to initially deploy capital until it has received aggregate capital contributions in an amount not less than \$500,000, although the BDC Manager, in its sole discretion, may initially deploy capital prior to receiving such aggregate amount.

Capital contributions will only be accepted in cash (by means of wire transfer or check).

The BDC may issue additional classes of Shares in the future which may differ in terms of, among other things, the Management Fee and/or the Carried Interest, minimum investment amounts and other rights. The terms of such additional classes will be determined by the BDC Manager, without the approval of the BDC Investors, and may be described in a supplement to this Memorandum.

**ADMISSIONS;  
ADDITIONAL CAPITAL  
CONTRIBUTIONS:**

New BDC Investors may be admitted to the BDC, and existing BDC Investors may make additional capital contributions in amounts of not less than \$25,000, with the consent of the BDC Manager and subject to its sole and absolute discretion to accept lesser amounts, as of the first business day of any calendar month, or at any other time the BDC Manager chooses to accept such initial or additional contributions. The BDC Manager may, in its sole discretion, elect to temporarily or permanently suspend the ability of investors to contribute capital to the BDC.

**TERM:**

Unless terminated earlier upon the occurrence of certain events specified in the BDC Management Agreement, the BDC will terminate ten (10) years after the date that the BDC first accepts a capital contribution ("*Term*"); *provided, however*, that the BDC Manager, in its sole discretion, may extend the Term for an additional five (5) calendar years, each such additional calendar year subject to an annual review and determination by the BDC Manager whether to extend the Term. Except or unless the Manager decides to Register the Company's shares through an initial public offering ("IPO") or business combination with has the same effect.

**CUSTODY:**

The amounts paid by an investor to the BDC shall be placed directly in an account with one or more financial institutions selected by the BDC Manager, under appropriate arrangements.

**SELLING  
COMMISSIONS:**

Selling commissions and/or referral fees may be paid in connection with the offering of the Stock. A portion of the Management Fee and/or Carried Interest may be remitted to third parties introducing BDC Investors to the BDC, or the BDC Manager may use its own resources to compensate third parties for such introductions. The BDC Manager reserves the right to deduct a percentage of the amount invested by a Shareholder in the BDC to pay sales fees or charges, on a fully disclosed basis, to a broker-dealer, placement agent or other person based upon the capital contribution of the investor introduced to the BDC by such broker-dealer, agent or other person. If disclosed to a referred investor, any such sales fees or charges would be assessed against the referred investor and would reduce the amount actually invested in the BDC by such investor.

**LIMITATION OF  
LIABILITY:**

The BDC Management Agreement provides that the BDC Manager and its affiliates, shareholders, members, Investors, managers, directors, officers and employees shall not be liable, responsible nor accountable in damages or otherwise to the Company or any Shareholder, or to any successor, assignee or transferee of the BDC or of any Shareholder, for (i) any acts performed or the omission to perform any acts, within the scope of the authority conferred on the BDC Manager by the BDC Management Agreement, except by reason of acts or omissions found by a court of competent jurisdiction upon entry of a final non-appealable judgment to have been made in bad faith or to constitute fraud, willful or gross negligence; (ii) performance by the BDC Manager of, or the omission to perform, any acts on advice of legal counsel, accountants, or other professional advisors to the BDC; (iii) the negligence, dishonesty, bad faith, or other misconduct of any consultant, employee, or

agent of the BDC, including, without limitation, an affiliate of the BDC Manager, selected or engaged by the BDC Manager with reasonable care and in good faith; or (iv) the negligence, dishonesty, bad faith, or other misconduct of any person in which the BDC invests or with which the BDC participates as a partner, joint venturer or in another capacity, which was selected by the BDC Manager with reasonable care and in good faith.

**SIDE POCKETS:**

The BDC Manager may, at any time, designate a BDC investment that the BDC Manager believes either lacks a readily assessable market value or should be held until the resolution of a special event or circumstances (each such investment, a “*Side Pocket Investment*”). Due to the generally illiquid nature of the underlying BDC investments, the BDC Manager intends to designate each such investment as a Side Pocket Investment. A separate bookkeeping account shall be established for each Side Pocket Investment (each a “*Side Pocket Investment Account*”). Each Side Pocket Investment Account shall have an initial aggregate value (the “*Original Value*”) equal to the fair value (as determined by the BDC Manager) of the Side Pocket Investment at the time the applicable Side Pocket Investment Account was established (which shall generally be cost if the investment is designated as a Side Pocket Investment at the time of its acquisition).

On the date a Side Pocket Investment Account is established, each Stockholder’s Capital Account shall be reduced by an amount determined by multiplying such Stockholder’s Allocation Percentage as of such date by the Original Value of such investment. With respect to each Side Pocket Investment, the computation of net capital appreciation or depreciation, as the case may be, shall include only the net capital appreciation or depreciation actually realized upon a liquidation or disposition of such investment for cash (or upon the determination of the BDC Manager that the Side Pocket Investment should no longer be designated as such) (any such event, a “*Realization Event*”). Upon the occurrence of a Realization Event with respect to a Side Pocket Investment, the cash proceeds received with respect to such Realization Event shall be reallocated, at such time as the BDC Manager determines, from the Side Pocket Investment Account to the Capital Accounts of each of the Investors participating therein *pro rata* in proportion to their respective Allocation Percentages on the date the applicable Side Pocket Investment Account was established and, thereafter, the Side Pocket Investment Account shall be closed out.

The Original Value of each Side Pocket Investment may include such reserves (including reserves for working capital and contingencies) as the BDC Manager in its discretion may consider advisable or necessary. In addition, the BDC Manager shall charge any expense relating specifically to a Side Pocket Investment to each Shareholder that has an interest in the applicable Side Pocket Investment Account in proportion to such Stockholder’s Allocation Percentage as of the date such Side Pocket Investment Account was established. A Shareholder admitted to the BDC after the making of a Side Pocket Investment will have no interest in such investment.

**DISTRIBUTIONS:**

BDC Investors may not voluntarily withdraw any capital from the BDC. In certain circumstances, however, a Shareholder may be required to withdraw from the BDC if the BDC Manager reasonably determines, in its sole discretion, that such Stockholder’s continued participation in the BDC would

result in a violation of the applicable laws or could otherwise be expected to have a material adverse effect on the BDC and/or the BDC Manager.

Notwithstanding the foregoing, following the first sixty (60) months of the BDC's operations (the "*Lock-Up*"), the BDC will generally permit redemptions to each Shareholder of the cash proceeds reallocated to such Stockholder's Capital Account upon the occurrence of a Realization Event with respect to each Side Pocket Investment (net of any accrued Management Fee and Carried Interest, if any; such amount, the "*Distribution Proceeds*"), subject to the capital needs of the BDC as determined by the BDC Manager in its sole discretion.

A Shareholder will be generally provided Distribution Proceeds from its Capital Account as of the last business day of the calendar quarter immediately following the quarter in which the Shareholder received notice that a underlying Realization Event occurred, or such other date as the BDC Manager may determine in its discretion (each such date, a "*Distribution Date*"). The BDC Manager will notify each Shareholder in writing of each occurrence of a Realization Event.

Payments of Distribution Proceeds are generally made within thirty (30) days of the effective Distribution Date; *however*, in the event a Shareholder withdraws 90% or more of the BDCs from such Stockholder's Capital Account (or if a distribution, when combined with all other distributions effected by such Shareholder during the preceding twelve (12) months, would result in such Shareholder having withdrawn 90% or more of its Capital Account during such period), a portion (generally not to exceed five percent (5%)) of the Distribution Proceeds will be retained in the BDC Manager's discretion pending completion of the annual audit of the BDC's financial statements for the fiscal year in which the distribution occurs. A Shareholder shall not be entitled to interest on the amount of any retained Distribution Proceeds.

In certain circumstances, the BDC Manager, in its sole and absolute discretion, may suspend the valuation of the BDC's property, the right or obligation to honor distribution requests (including the right to receive Distribution Proceeds), and/or extend the period for payment of Distribution Proceeds. (See the BDC Management Agreement, Section 4.03 "*Limitations on Distributions.*") The BDC Manager has reserved the right, in its sole discretion and without notice, to require any Shareholder to withdraw entirely from the BDC, for any reason or no reason.

The BDC Manager may establish reserves for expenses, liabilities or contingencies (including those prepaid expenses addressed by U.S. generally accepted accounting principles ("*GAAP*")) which could reduce the amount of a distribution. (See the BDC Management Agreement, Section 4.05 "*Withholding from Distributions.*")

**PROFITS AND LOSSES:**

At the end of each accounting period of the BDC, any net capital appreciation or depreciation is allocated to the Capital Accounts of all Investors in proportion to their respective Allocation Percentages for such period. For this purpose, each accounting period shall end at the close of each quarter, at any other time a Shareholder makes an additional capital contribution or receives a distribution, at the time a Side Pocket Investment Account is created, at the time of a Realization Event with respect to a Side Pocket Investment, and at such other times as the BDC Manager may determine.

In addition, following the Lock-Up the BDC Manager shall receive a carried interest (the “*Carried Interest*”) in an amount equal to twenty percent (20%) of the net cash proceeds allocated to each Shareholder with respect to Realization Events; *provided, however*, that the BDC Manager will receive no Carried Interest with respect to a Shareholder until such Shareholder has received and/or reinvested aggregate proceeds from Realization Events in an amount equal to eight percent (8%) of such Stockholder’s aggregate capital contributions to the BDC. The Carried Interest may be computed at any time, in the sole discretion of the BDC Manager, for a Shareholder who makes a partial or complete withdrawal.

In the interest of clarity, for purposes of determining the Carried Interest, no net capital appreciation or depreciation shall be allocated to the Investors with respect to a Side Pocket Investment until such time as a Realization Event has occurred with respect to such Side Pocket Investment.

The BDC Manager may, in its sole discretion, enter into arrangements with BDC Investors under which the Carried Interest is reduced, waived or calculated differently with respect to such BDC Investors, including, without limitation, BDC Investors that are members, affiliates or employees of the BDC Manager, members of the immediate families of such persons and trusts or other entities for their benefit, or BDC Investors that make a substantial investment or otherwise are determined by the BDC Manager in its sole discretion to represent a strategic relationship.

ERISA and current IRS regulations prohibit fee payments to oneself and/or an affiliate from one’s IRA or other self-directed retirement account. Accordingly, such an account of an officer of the BDC Manager (or of his spouse) will not be subject to the Management Fee or Carried Interest.

**FEES & EXPENSES:**

A management fee (the “*Management Fee*”) is paid quarterly in arrears to the BDC Manager. The Management Fee is equal to 0.4375% (1.75% *per annum*) of the closing Capital Account balance of each Shareholder for such quarter, including, for this purpose, such Stockholder’s aggregate Shares in all Side Pocket Investments.

The Management Fee will be appropriately prorated to reflect any capital contributions that occur during a quarter. The Capital Account of a Shareholder making a withdrawal other than the last day of a quarter (whether pursuant to ordinary withdrawal rights or where the special consent of the BDC Manager is required and, in its discretion, granted, in either case under *Article IV* of the BDC Management Agreement) will be charged a *pro rata* portion of the Management Fee immediately prior to such withdrawal based on the number of days elapsed during such quarter and the portion withdrawn from such Capital Account.

If a Shareholder has withdrawn all of its Capital Account except for its interest in one or more Side Pocket Investments, the Management Fee payable with respect to such Stockholder’s interest in each Side Pocket Investment will be accrued and, upon the occurrence of a Realization Event with respect to each such Side Pocket Investment, will be paid to the BDC Manager.

The BDC Manager may, in its sole discretion, enter into arrangements with BDC Investors under which the Management Fee is reduced waived or calculated differently with respect to such BDC Investors, including, without limitation, BDC Investors that are members, affiliates or employees of the BDC Manager, members of the immediate families of such persons and trusts



or other entities for their benefit, or BDC Investors that make a substantial investment or otherwise are determined by the BDC Manager in its sole discretion to represent a strategic relationship.

All expenses of the Offering and organization of the BDC (including legal and other expenses) (“*Organizational Expenses*”) will be paid by the BDC and/or reimbursed by the BDC to the extent paid by the BDC Manager. The Organizational Expenses will be amortized and charged to the Investors’ Capital Accounts on a Quarterly basis over a period of sixty (60) months commencing from the launch of the BDC’s investment activities. GAAP require that organizational costs be treated as an expense when incurred. The BDC Manager believes that the impact on the BDC’s results from this departure from GAAP will result in a fairer apportionment of such expenses among BDC Investors. This departure from GAAP may also result in a qualified audit opinion from the BDC’s auditors. If the BDC is terminated prior to sixty (60) months of the commencement of investment activities, any unamortized expenses will be recognized.

The BDC shall pay for all ordinary operating and other expenses, including, but not limited to, investment-related expenses (such as brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses and investment banking expenses); research costs and expenses (including fees for news, quotation and similar information and pricing services); legal expenses (including, without limitation, the costs of on-going legal advice and services, blue sky filings and all costs and expenses related to or incurred in connection with the BDC Manager’s compliance obligations under applicable federal and/or state securities and investment adviser laws arising out of its relationship to the BDC, as well as extraordinary legal expenses); the Management Fee; accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the BDC; costs of printing and mailing reports and notices; and other similar expenses related to the BDC, as the BDC Manager determines in its sole discretion.

**RISK FACTORS:**

In general, investment in the Stock involves various and substantial risks, including (but not limited to) the risk that the BDC assets may be invested in high-risk investments, risks for certain tax-exempt investors, risks related to the limited transferability of a Stockholder’s interest in the BDC, the lack of operating history of the BDC, the BDC’s dependence upon the BDC Manager, and certain tax risks. (See “*Risk Factors.*”)

**DIVERSIFICATION:**

The BDC does not have fixed guidelines for diversification and may concentrate its investments in particular geographical areas or types of investments and may utilize different investment strategies, depending on the BDC Manager’s assessment of the available investment opportunities.

**LEVERAGE:**

The BDC may utilize leverage in its investment program when the BDC Manager considers it appropriate (within the BDC regulatory leverage limits). However, the use of leverage may, in certain circumstances, maximize the adverse impact to which the BDC’s investment portfolio may be subject.

**NET ASSET VALUE:**

The Net Asset Value of the BDC (“*Net Asset Value*”) will be determined as is required by the BDC Management Agreement or as may be determined by

the BDC Manager, but in any case, no less than Quarterly. Each Stockholder's share of the Net Asset Value is determined by multiplying the total value of the BDC's investments and other assets less any liabilities, by the Stockholder's Allocation Percentage. (See "*Valuation of Investments.*")

**RESTRICTIONS ON TRANSFER:**

A Shareholder may not pledge, assign, sell, exchange or transfer its Interest (or any portion thereof), and no assignee, purchaser or transferee may be admitted as a substitute Shareholder, except with the consent of the BDC Manager, which consent may be given or withheld in its sole and absolute discretion.

**FISCAL YEAR:**

The BDC's fiscal year shall end on December 31.

**REPORTS:**

The BDC's books of account will be audited at the end of each fiscal year by a firm of certified public accountants selected by the BDC Manager, although the BDC Manager may elect to postpone the first audit of the BDC's annual financial statements until the completion of the BDC's first full fiscal year, in which case the initial audit will cover the applicable fiscal year as well as the partial "stub" year in which the BDC commenced operations. Books of account will generally be kept by the BDC, in accordance with GAAP except to the extent the BDC's auditor determines that the amortization of the Organizational Expenses does not comply with GAAP. The BDC Manager will furnish audited financial statements to all BDC Investors within 90 days, or as soon thereafter as is reasonably practicable, following the conclusion of each fiscal year. In addition, all BDC Investors will receive the information necessary to prepare federal and state income tax returns following the conclusion of such fiscal year as soon thereafter as is reasonably practical.

All BDC Investors will also receive unaudited performance reports and such other information as the BDC Manager determines on a quarterly basis. The BDC Manager will not be required to provide information with regard to specific investment transactions of the BDC.

**AMENDMENT OF THE BDC MANAGEMENT AGREEMENT:**

The BDC Management Agreement provides that the BDC Manager has the right to amend the BDC Management Agreement to, among other things, conform to applicable laws and regulations, to correct any ambiguous, false, or erroneous provision, or to otherwise amend the BDC Management Agreement; *provided*, that no such amendment shall adversely affect the rights, privileges, and powers of the BDC Investors as a group, unless agreed to by the holders of a majority of Allocation Percentages held by BDC Investors. The BDC Manager is authorized on its own motion to institute proceedings for adoption of a proposed amendment to the BDC Management Agreement. The BDC Manager may seek the approval of BDC Investors to such amendments by means of a "negative consent" process. Investors should note that Shareholders have no voting rights except in very limited and specific situations.

**AUDITOR:**

Drenchko Stephanie Sheradin, a Certified Public Accountant holding license #098780, serves as the U.S. auditor for CAPQ BDC Inc., associated with Zero to Grace Accounting Firm, a Limited Liability Partnership. Drenchko Stephanie Sheradin and the Zero to Grace Accounting Firm, a boutique specialty audit firm, have established a commitment to the provision of high-standard services within the securities industry. Their unique focus and specialty in this space allows CAPQ BDC Inc. to maintain cost-effective operations while ensuring adherence to the highest accounting standards and regulatory norms. The professional dedication of Drenchko Stephanie Sheradin and the tailored expertise of the Zero

to Grace Accounting Firm contribute to the robustness and transparency of CAPQ BDC Inc.'s financial disclosures.

**ADMINISTRATOR:**

Once the BDC has achieved \$20M in Assets under management (AUM) Tower Fund Services (“Tower”) will serve as the BDC’s administrator and is a full-service fund administration firm that caters to the BDC Manager. Their clients cover a broad spectrum of strategies in the hedge fund, private equity, venture capital, real estate and fund- of-fund spaces. The BDC Manager chose Tower for their previous experience, competitive pricing and what they considered unsurpassed service and attention to detail. We believe the BDC requires quality, full-service fund administration with pricing that is not a burden to its Shareholders. Tower covers everything from investor processing, trade capture, reconciliation, NAV production, audit support, and online reporting for our BDC.

Tower has a fixed fee-tiered pricing model with introductory fees of only US\$500 per month, with fees graduating once assets under management exceed certain levels.

The responsibilities of the BDC’s administrator include overseeing its financial records (with the oversight of its BDC Manager and its independent auditor) and preparing reports for the Shareholders and the SEC. Additionally, the administrator will monitor the payment of BDC expenses, and the performance of administrative and professional services rendered to the BDC by others. We believe in full transparency, so you can download Tower’s detailed services and pricing by visiting their website at [www.towerfundservices.com](http://www.towerfundservices.com).

**SUBSCRIPTION  
PROCEDURE:**

Persons interested in subscribing for Shares will be furnished and will be required to complete and return to the BDC Manager, subscription documents.

**RISK FACTORS**

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*An investment in the BDC involves a number of significant risks. The risk factors set forth below are those that, at the date of this Memorandum, the BDC Manager deem to be the most significant. The following is not intended to be a complete description or an exhaustive list of risks. Other factors ultimately may affect an investment in the BDC in a manner and to a degree not now foreseen. Prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Memorandum, the factors discussed below. An investment in the BDC should form only a part of a complete investment program, and an investor must be able to bear the loss of its entire investment. Prospective investors should also consult with their own financial, tax and legal advisors regarding the suitability of this investment.*

**Summary of Risks**

There are a number of risks common to Private BDCs. A summary of risks that are often addressed include the following:

- The lack of public trading of the portfolio investments, which makes it difficult to assess the fair value of the investments.
- Conflicts of interest that could impair returns on investments.
- Limitations on co-investment and follow-on investments.
- Inability to fund below net asset value (NAV).
- Reliance on the external manager to retain key personnel.
- Competitiveness of the investment market.
- Increased risk in investing in the BDC following the reduction in asset coverage ratio from 200% to 150%.
- Loss in BDC status resulting in the entity being regulated as a closed-end investment company under the 1940 Act and losing the exemptions afforded to BDCs.

- Risks related to interest rate exposures.

## **General**

General Investment Risks. The BDC's success depends on the BDC Manager's ability to implement its investment strategy. No assurance can be given that the investment strategies to be used by the BDC will be successful under all or any market conditions.

The BDC may increase its cash position to up to 100% of its assets when the BDC Manager deems it prudent or when a defensive position is warranted in light of market conditions. During such times, interest income will increase and may constitute a large portion of the return and the BDC will not participate in market advances or declines to the extent that it would have if it had been more fully invested.

Investment Risks. The BDC is intended for long-term investors who can accept the risks associated with investing primarily in illiquid securities. All investments involve the risk of a loss of capital. The BDC Manager believes that the BDC's investment program and its research and risk-management techniques moderate this risk through the careful selection of investments. No guarantee or representation is made that the BDC's investment program will be successful, and investment results may vary substantially over time.

## **Investments**

Business and Financial Risk of BDC Investments. The BDC's investments involve a high degree of business and financial risk. The companies in which the BDC invests may have significant variations in operating results, may require substantial additional capital to support their operations, or may otherwise have a weak financial condition. In addition, the companies in which the BDC invests may face intense competition, including competition from companies with greater financial resources, more extensive development, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel.

Limited Number of Investments. It is expected that the BDC will invest in a limited number of privately negotiated debt and equity investments. A consequence of a limited number of investments is that the aggregate returns realized by the Investors may be substantially adversely affected by the unfavorable performance of a small number of such investments.

Availability and Ability to Acquire Suitable Investments. The identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. While the BDC Manager believes that many attractive investments of the type in which the BDC may invest are currently available, there can be no assurance that such investments will be available when the BDC commences investment operations, or that available investments will meet the BDC's investment criteria. Although the BDC Manager believes it can successfully execute the strategy of the BDC, there is no assurance that the BDC Manager will be able to find suitable investments or, if found, that the BDC will be able to generate superior returns.

Illiquid Investments. The BDC may invest in assets for which no liquid market exists or that are subject to legal or other restrictions of transfer. The market prices, if any, for such assets may fluctuate due to a variety of factors that are inherently difficult to predict. The BDC may not be able to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

No Return for a Period of Years. Even if the BDC investments prove successful, they may not produce a realized return for Investors for a period of years.

Securities Regulations Concerning Private Placements. The BDC may invest in securities that are not registered under the Securities Act. The BDC will purchase such securities in reliance upon an exemption from registration pursuant to the provisions of the Securities Act including those provided by Regulation D. Unless such securities are subsequently registered under the Securities Act, they may not be offered or sold except pursuant to an exemption therefrom, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities law. Therefore, securities purchased pursuant to such exemptions including Regulation D are often illiquid.

## **Strategy Risks**

Lack of Diversification. The BDC is not subject to any restrictions with respect to investments in any particular issuer, industry, geography or type of investment. The BDC may have a non-diversified portfolio and may have large amounts of BDC assets invested in a small number of investments. Such lack of diversification substantially increases market risks and the risk of loss associated with an investment in the BDC.

Leverage Transactions. In order to raise additional cash for investment, the BDC may borrow money from banks and other sources and will pay interest thereon. Any investment gains made with the additional monies in excess of interest paid will cause the Net Asset Value of the BDC to rise faster than would otherwise be the case. On the other hand, if the investment performance of the additional investments purchased fails to cover their cost (including any interest paid on the money borrowed) to the BDC, the Net Asset Value of the BDC will decrease faster than would otherwise be the case. This is the speculative factor known as “leverage.”

Contractual and Litigation Risks. Unlike the purchase of freely tradable shares in the open market, some of the transactions in which the BDC purchases securities will involve substantial contractual obligations by the issuer of such securities requiring the issuer to take certain actions. For the BDC’s investment strategy to be effective, the issuer of such securities must abide by its contractual obligations. The BDC intends to structure its investments to reduce the risks associated with an issuer’s failure to satisfy its contractual obligations, but there can be no assurance that an issuer always will abide by its contractual obligations. The BDC intends to aggressively enforce its rights under its contractual relationships with issuers, although the BDC Manager understands and will be mindful of the costs of litigation. If an issuer fails to meet its contractual obligations, in addition to the possibility of being involved in costly litigation, the BDC may be unable to dispose of the securities at appropriate prices, or may experience substantial delays in doing so, and thus the BDC may not be able to realize the anticipated profit with respect to such investment for a substantial period, if ever.

The BDC Manager Methodology. Investment decisions of the BDC Manager are on a discretionary basis using fundamental analysis and no assurance can be given that such investment strategies used by the BDC Manager will be successful, or that losses could not occur.

Side Pocket Investments. The BDC will generally invest its assets in investments that the BDC Manager believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstances (*i.e.*, Side Pocket Investments). The BDC may not be able to readily dispose of Side Pocket Investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. For accounting purposes, BDC investments will generally be valued as reported in the most recent audited financial statements of such investments, unless the BDC Manager, in its sole discretion, determines that an alternative fair value should be used. There is no guarantee that fair value will represent the value that will be realized by the BDC on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. A withdrawing Shareholder with an interest in a Side Pocket Investment will not receive any amount in respect of such interest until the related Side Pocket Investment is realized or deemed realized.

## **Management Risks**

Reliance on the BDC Manager and no Authority by BDC Investors. All decisions regarding the management and affairs of the BDC will be made exclusively by the BDC Manager. Accordingly, no person should invest in the BDC unless such person is willing to entrust all aspects of management of the BDC to the BDC Manager. BDC Investors will have no right or power to take part in the management of the BDC. As a result, the success of the BDC for the foreseeable future depends solely on the abilities of the BDC Manager.

Dependence on Key Personnel. The management of the BDC is dependent on the services of the Principals and there can be no assurance that it will be able to retain the Principals, whose credentials are described under the heading “*Management of the BDC.*” The departure or incapacity of one or more of those individuals could have a material adverse effect on the BDC Manager’s management of the investment operations of the BDC.

Changes in Investment Strategies. The BDC Manager has broad discretion to expand, revise or contract the BDC’s business without the consent of the Shareholders. The BDC’s investment strategies may be altered,

without prior approval by the BDC Investors, if the BDC Manager determines that such change is in the best interest of the BDC.

Discretionary Decision-Making May Result in Missed Opportunities. The BDC's investment strategies do involve some discretionary aspects. Discretionary decision-making may result in failure to capitalize on certain price trends or unprofitable investments in certain situations.

Limitations on the BDC Manager's Liability and Indemnification. The BDC Management Agreement provides that the BDC Manager and its affiliates, shareholders, members, Investors, managers, directors, officers and employees shall not be liable, responsible nor accountable in damages or otherwise to the BDC or any Shareholder, or to any successor, assignee or transferee of the BDC or of any Shareholder, for (i) any acts performed or the omission to perform any acts, within the scope of the authority conferred on the BDC Manager by the BDC Management Agreement, except by reason of acts or omissions found by a court of competent jurisdiction upon entry of a final non-appealable judgment to have been made in bad faith or to constitute fraud, willful misconduct or gross negligence; (ii) performance by the BDC Manager of, or the omission to perform, any acts on advice of legal counsel, accountants, or other professional advisors to the BDC; (iii) the negligence, dishonesty, bad faith, or other misconduct of any consultant, employee, or agent of the BDC, including, without limitation, an affiliate of the BDC Manager, selected or engaged by the BDC Manager with reasonable care and in good faith; or (iv) the negligence, dishonesty, bad faith, or other misconduct of any Person in which the BDC invests or with which the BDC participates as a partner, joint venturer, or in another capacity, which was selected by the BDC Manager with reasonable care and in good faith. Furthermore, the BDC, in the BDC Manager's sole discretion, will indemnify and hold harmless the BDC Manager and its affiliates, shareholders, members, Investors, managers, directors, officers and employees and the legal representatives of any of them (an "**Indemnified Party**"), from and against any loss, liability, damage, cost or expense suffered or sustained by an Indemnified Party by reason of (i) any acts, omissions or alleged acts or omissions arising out of or in connection with the BDC, the BDC Management Agreement or any investment made or held by the BDC, including, without limitation, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding, or claim, *provided that* such acts, omissions or alleged acts or omission upon which such actual or threatened action, proceeding or claim are based are not found by a court of competent jurisdiction upon entry of a final non-appealable judgment to have been made in bad faith or to constitute fraud, willful misconduct or gross negligence by such Indemnified Party, or (ii) any acts or omissions, or alleged acts or omissions, of any broker or agent of any Indemnified Party, *provided that* such broker or agent was selected, engaged or retained by the Indemnified Party with reasonable care. The BDC Management Agreement also provides that the BDC will, in the sole discretion of the BDC Manager, advance to any Indemnified Party attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding which arises out of such conduct.

Limited Reporting. The BDC will provide quarterly unaudited reports of BDC activity. As a result, BDC Investors will not be able to evaluate the BDC's activity at shorter intervals. Additionally, as a result of side letter arrangements, questions, due diligence requests, meetings or other communications, certain BDC Investors may receive information that is not generally available or otherwise provided to other BDC Investors, which may affect such BDC Investors' decision to request a withdrawal of their respective Capital Accounts or take other actions on the basis of such information.

## **Other Risks**

Offering Price: The pricing of the common stock shares in this offering has been set without an independent valuation. Instead, it has been established arbitrarily by our management, drawing from factors such as our Net Asset Value (NAV) estimates (as calculated by our Investment Advisor), the cumulative expertise of our officers and directors, and prevailing market conditions for equity securities within similar Business Development Companies (BDCs). Importantly, the set offering price will not exceed our estimated NAV. These estimates have been grounded on the best effort judgments made by our Investment Advisor and the collective experiences of our officers and directors, or through the application of other objective value standards. As a

result, the actual value of the shares may significantly differ from the offering price, and there is no guarantee that the shares will achieve a value equal to or greater than the offered price.

Limited Operating History. The BDC is a recently formed entity and has no operating history upon which prospective investors can evaluate its likely performance. There can be no assurance that the BDC will achieve its investment objective.

Start-Up Periods. The BDC may encounter start-up periods during which it will incur certain risks relating to the initial investment of newly contributed assets. Moreover, the start-up periods also represent a special risk in that the level of diversification of the BDC's portfolio may be lower than in a fully invested portfolio.

Risk of Loss. A Shareholder could incur substantial, or even total, losses on an investment in the BDC. An investment in the BDC is only suitable for persons willing to accept this high level of risk.

Effect of Carried Interest. The BDC Manager will receive a Carried Interest based on a percentage of any net realized profits. Carried Shares may create an incentive for the BDC Manager to make investments that are riskier or more speculative than would be the case in the absence of such incentive compensation arrangements.

Lack of Liquidity. The BDC's withdrawal provisions place certain restrictions on the right of a Shareholder to withdraw all or part of its Interest, transfer its Interest and pledge or otherwise encumber its Interest. Thus, it is unlikely that a Shareholder will be able to liquidate its Interest in the event of an unanticipated need for cash. Shares may not be transferred or pledged except in compliance with significant restrictions on transfer as required by federal and state securities and commodities laws and as provided in the BDC Management Agreement. The BDC Management Agreement does not permit a Shareholder to transfer or pledge all or any part of its Interest to any person without the prior written consent of the BDC Manager, the granting of which is in the BDC Manager's sole and absolute discretion. These limitations, taken together, will significantly limit a Stockholder's ability to liquidate an investment in the BDC quickly. As a result, an investment in the BDC would not be suitable for an investor who needs liquidity.

Tax Considerations; Distributions to BDC Investors and Payment of Tax Liability. It is not possible to provide here a description of all potential tax risks to a person considering investing in the BDC. Prospective investors are urged to consult their own legal counsel and tax advisors with respect thereto. The BDC will not seek a ruling from the Internal Revenue Service ("*IRS*") with respect to any tax issues affecting the BDC.

It should also be noted that the BDC's tax return may be audited by the IRS, and any such audit may result in an audit of the returns of the BDC Investors for the year(s) in question or unrelated years. Further, any adjustment resulting from an audit would also result in adjustments to the tax returns of the BDC Investors and may result in an examination and adjustment of other items in such returns unrelated to the BDC. BDC Investors could incur substantial legal and accounting costs in litigation of any IRS challenge, regardless of the outcome. (See "*Federal Tax Aspects.*")

The BDC may make periodic distributions of its net income or gains, if any, to BDC Investors. A Shareholder will nonetheless be required each year, however, to pay applicable U.S. federal and state income taxes on its share of the BDC's taxable income, and will have to obtain cash from other sources in order to pay such applicable taxes. The amount and timing of any distributions will be determined in the sole discretion of the BDC Manager.

Undistributed Income. The BDC Manager in its sole discretion may, but is not required to, make distributions to BDC Investors during the term of the BDC. Taxable income realized in any year by the BDC will be taxable to the Investors in that year regardless of whether they have received any distributions from the BDC. Accordingly, BDC Investors may recognize taxable income for federal, state, and local income tax purposes without receiving any or a sufficient distribution from the BDC with which to pay the taxes thereon. The BDC Manager may consider such possible tax liability of the BDC Investors when determining whether to make distributions, but no assurance is given that distributions, if made, will equal the amount of any Stockholder's tax liability.

Restrictions on Transfer. The Stock are subject to certain restrictions on transfer, including a requirement that the BDC Manager consent to any such transfer. There is no present market for the Stock, and no market is likely to develop in the future. Accordingly, BDC Investors may not be able to liquidate their investment in the event of an emergency or for any other reason, and Shares may not be readily acceptable as collateral for loans. Shares should be purchased only by prospective Investors who can bear the economic risk of their investment, who can afford to have their BDCs committed to an illiquid investment according to the withdrawal provisions in the BDC Management Agreement and who, if necessary, can afford a complete loss of their investment. (See “*Restrictions on Transfers of Shares.*”)

Lack of Insurance. The assets of the BDC are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by the Federal Deposit Insurance Corporation or with brokers insured by the Securities Investor Protection Corporation and such deposits and securities are subject to such insurance coverage. Therefore, in the event of the insolvency of a depository or custodian, the BDC may be unable to recover all of its BDCs or the value of its securities so deposited.

Regulations Under Investment Company Act of 1940. The BDC’s operations are similar to an investment company as defined under the Investment Company Act, because the BDC engages in the business of purchasing securities for investment. The BDC is currently not required to register under the Investment Company Act due to an exemption for an entity which is beneficially owned by not more than one hundred (100) persons and which does not intend to make any public offering of its securities. Accordingly, the provisions and extensive regulations of the Investment Company Act, which might otherwise govern the activities of the BDC, will not be applicable.

Risks for Certain Benefit Plan Investors Subject to ERISA. Prospective investors that are benefit plan investors subject to the Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”), and Department of Labor Regulations issued thereunder should read the section hereof entitled “*ERISA Considerations*” in its entirety for a discussion of certain risks related to an investment by benefit plan investors in the BDC.

Revised Regulatory Interpretations Could Make Certain Strategies Obsolete. In addition to proposed and actual accounting changes, there have recently been certain well-publicized incidents of regulators unexpectedly taking positions which prohibited trading strategies which had been implemented in a variety of formats for many years. In the current unsettled regulatory environment, it is impossible to predict if future regulatory developments might adversely affect the BDC.

Importance of General Economic Conditions. Overall market, industry or economic conditions, which the BDC Manager cannot predict or control, will have a material effect on performance.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the BDC. Prospective BDC Investors should read the entire Memorandum and the BDC Management Agreement and consult with their own advisers before deciding whether to invest in the BDC. In addition, as the BDC’s investment program develops and changes over time, an investment in the BDC may be subject to additional and different risk factors.**

#### **POTENTIAL CONFLICTS OF INTEREST**

The BDC Manager and/or its affiliates, shareholders, members, Investors, managers, directors, officers, and employees (collectively the “*Affiliated Persons*”) will only devote so much time to the affairs of the BDC as is reasonably required in the judgment of the BDC Manager. The Affiliated Persons will not be precluded from engaging directly or indirectly in any other business or other activity, including exercising investment advisory and management responsibility, and buying, selling or otherwise dealing with securities and other investments for their own accounts, for the accounts of family members, for the accounts of other BDCs and for the accounts of individual and institutional clients (collectively, “*Other Accounts*”). Such Other Accounts may have investment objectives or may implement investment strategies similar to those of the BDC. The Affiliated Persons may also have investments in certain of the Other Accounts. Each of the Affiliated Persons may give advice and act in the performance of their duties to their Other Accounts that could differ from the timing and nature of action taken with respect to the BDC. The Affiliated Persons will have no obligation to purchase or sell for the



BDC any investment that the Affiliated Persons purchase or sell, or recommend for purchase or sale, for their own accounts or for any of the Other Accounts. The BDC will not have any rights of first refusal, co-investment, or other rights in respect of the investments made by Affiliated Persons for the Other Accounts, or in any fees, profits or other income earned or otherwise derived from them. If a determination is made that the BDC and one or more Other Accounts should purchase or sell the same investments at the same time, the Affiliated Persons will allocate these purchases and sales as is considered equitable to each. No Shareholder will, by reason of being a Shareholder of the BDC, have any right to participate in any manner in any profits or income earned or derived by or accruing to the Affiliated Persons from the conduct of any business or from any transaction in investments effected by the Affiliated Persons for any account other than that of the BDC.

The Affiliated Persons will attempt to allocate investment opportunities that come to their attention on a fair and equitable basis among the BDC and the Other Accounts for which participation in the respective opportunity is considered appropriate *pro rata* in proportion to the relative net worth of each such account. In determining whether participating by an account is appropriate, the Affiliated Persons shall take into account, among other considerations: (a) whether the risk-return profile of the proposed investment is consistent with the objectives of the BDC, which objectives may be considered (i) solely in light of the specific investment under consideration or (ii) in the context of the portfolio's overall holdings and available capital; (b) the potential for the proposed investment to create an imbalance in the portfolio of the BDC; (c) liquidity requirements of the BDC; (d) potential tax consequences; (e) legal or regulatory restrictions; (f) the need to re-size risk in the portfolio of the BDC; and (g) whether the BDC and/or Other Accounts have a substantial amount of investable cash (e.g., during a "ramp-up" period). Notwithstanding the foregoing, there can be no assurance that an investment opportunity which comes to the attention of any of the Affiliated Persons will not be allocated to an Other Account, with the BDC being unable to participate in such investment opportunity or participating only on a limited basis. In addition, there may be circumstances under which the Affiliated Persons will consider participation by Other Accounts in investment opportunities in which the Affiliated Persons do not intend to invest, or intend to invest only on a limited basis, on behalf of the BDC. Because these considerations may differ for the BDC and the Other Accounts in the context of any particular investment opportunity, investment activities of the BDC and the Other Accounts may differ considerably from time to time.

As a result of the foregoing, the Affiliated Persons may have conflicts of interest in allocating their time and activity between the BDC and the Other Accounts, in allocating investments among the BDC and the Other Accounts and in effecting transactions for the BDC and the Other Accounts, including ones in which the Affiliated Persons may have a greater financial interest.

The BDC and the BDC Manager are not represented by separate professional advisers. The legal firm for the BDC has represented the Affiliated Persons in the past and it is anticipated that such representation will continue in the future. Without independent legal and other professional representation, investors may not receive legal and other advice regarding certain matters that might be in their interest but contrary to the interest of the Affiliated Persons. However, should a dispute arise between the BDC and any Affiliated Person, or should there be a need in the future to negotiate and prepare contracts and agreements between the BDC and any of the Affiliated Persons, other than those existing or contemplated on the date of this Memorandum, the BDC Manager will cause the BDC to retain separate counsel and, if necessary, other professionals for such matters.

## **VALUATION OF INVESTMENTS**

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The Net Asset Value of the BDC will be determined as of such times as is required by the BDC Management Agreement or as may be determined by the BDC Manager, but in any case, no less than Quarterly.

Each Stockholder's share of the Net Asset Value of the BDC is determined by multiplying (i) the sum of the value of the securities held by the BDC plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses), by (ii) the Stockholder's Allocation Percentage.

BDC investments will generally be valued as reported in the most recent audited financial statements of such investments; *provided that*, where such audited financial statements are not available, such investments will be valued at fair value, which may be cost, as reasonably determined by the BDC Manager in its sole discretion.

The foregoing valuation guidelines may be modified by the BDC Manager, in its sole discretion, if and to the extent that the BDC Manager determines that such modifications are advisable in order to reflect restrictions upon marketability or other factors affecting the value of financial assets. Without limiting the generality of the foregoing, the valuation of an asset by the BDC Manager may reflect the amounts invested in such asset by the BDC, or the last value the asset traded for, in a private or public market transaction by a bona fide institutional or accredited investor, notwithstanding that such amounts may or may not represent the market value of such asset.

All matters concerning the valuation of securities, the allocation of profits, gains, and losses among the Investors, and accounting procedures not specifically and expressly provided for by the terms of the BDC Management Agreement, shall be determined by the BDC Manager and shall be final and conclusive as to all of the Investors.

## **SPECIAL ALLOCATION PROVISIONS**

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### **Side Pocket Investments**

The BDC Manager will designate BDC investments that the BDC Manager believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstances (each such investment, a “*Side Pocket Investment*”), which will generally comprise any BDC investments. A separate bookkeeping account shall be established for each Side Pocket Investment (each a “*Side Pocket Investment Account*”). Each Side Pocket Investment Account shall have an initial aggregate value (the “*Original Value*”) equal to the fair value (as determined by the BDC Manager) of the Side Pocket Investment at the time the applicable Side Pocket Investment Account was established (which shall generally be cost if the investment is designated as a Side Pocket Investment at the time of its acquisition).

On the date a Side Pocket Investment Account is established, each Stockholder’s Capital Account shall be reduced by an amount determined by multiplying such Stockholder’s Allocation Percentage as of such date by the Original Value of such investment. With respect to each Side Pocket Investment, the computation of net capital appreciation or depreciation, as the case may be, shall include only the net capital appreciation or depreciation actually realized upon a liquidation or disposition of such investment for cash or marketable securities (or upon the determination of the BDC Manager that the Side Pocket Investment should no longer be designated as such) (any such event, a “*Realization Event*”). Upon the occurrence of a Realization Event with respect to a Side Pocket Investment, the fair market value of the cash proceeds thereof shall be reallocated, at such time as the BDC Manager determines, from the Side Pocket Investment Account to the Capital Accounts of each of the Investors participating therein *pro rata* in proportion to their respective Allocation Percentages on the date the applicable Side Pocket Investment Account was established and, thereafter, the Side Pocket Investment Account shall be closed out. For purposes of determining the Carried Interest, no net capital appreciation or depreciation shall be allocated to the Investors with respect to a Side Pocket Investment until such time as a Realization Event has occurred with respect to such Side Pocket Investment.

The Original Value of each Side Pocket Investment may include such reserves (including reserves for working capital and contingencies) as the BDC Manager in its discretion may consider advisable or necessary. In addition, the BDC Manager shall charge any expense relating specifically to a Side Pocket Investment to each Shareholder that has an interest in the applicable Side Pocket Investment Account in proportion to such Stockholder’s Allocation Percentage as of the date such Side Pocket Investment Account was established. A Shareholder admitted to the BDC after the making of a Side Pocket Investment will have no interest in such investment.

## **SERVICE PROVIDERS**

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### **Auditor**

The BDC Manager, in its sole discretion, may select the auditor which will complete the year-end audit for the BDC. The BDC’s books of account shall be audited as of the close of each fiscal year by Drenchko Stephanie Sheradin CPA License #098780 with ZERO TO GRACE ACCOUNTING FIRM or any other independent accounting firm designated by the BDC Manager, although the BDC Manager may elect to postpone

the first audit of the BDC's annual financial statements until the completion of the BDC's first full fiscal year, in which case the initial audit will cover the applicable fiscal year as well as the partial "stub" year in which the BDC commenced operations. Within 90 days after the end of each fiscal year, or as soon thereafter as is reasonably practicable, annual reports containing audited financial statements will be sent to all BDC Investors.

### **Administrator**

The BDC Manager, in its sole discretion, may enter into an administration agreement pursuant to which an Administrator may perform administrative, registrar, transfer agency and other services for the BDC, subject to the overall direction of the BDC Manager. The BDC expects that it would pay the Administrator such customary fees for its services as the BDC and the Administrator negotiate from time to time. The BDC's administrative services will be provided by Tower Fund Services.

### **QUALIFICATION OF INVESTORS**

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AN INVESTMENT IN THE CAPQ BDC INC. IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY IN THIS INVESTMENT. The BDC intends to sell Stock only to "eligible investors." An "eligible investor" in the BDC must be an "accredited investor," as defined in Rule 501(a) of Regulation D under the Securities Act.

In order to satisfy the criteria for an "*accredited investor*," in the case of individuals, an investor must have either (i) an annual income of not less than \$200,000 for each of the previous two years (or a combined income with such person's spouse of not less than \$300,000), and reasonably anticipate the same level of income for the current year, or (ii) a net worth in excess of \$1,000,000 (excluding the value of such person's home). Other types of accredited investors permitted to invest in the BDC include (i) banks or savings and loan associations acting in an individual or fiduciary capacity, (ii) broker-dealers registered under the Securities Exchange Act of 1934, as amended, (iii) insurance companies, (iv) any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of making the investment, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D, and (v) a corporation, business trust or BDC not formed for the purpose of making the investment (x) which has total assets in excess of \$5,000,000, or (y) in which all of the equity owners are accredited investors.

Employee benefit plans and individual retirement accounts ("*IRAs*") will qualify as accredited investors if either (i) the investment decision is made by a plan fiduciary which is a bank, savings and loan association, insurance company or investment adviser registered under the Advisers Act, (ii) the plan, including plans established by a state or its political subdivisions or any agency or instrumentality of a state or its political subdivisions for the benefit of employees, has total assets in excess of \$5,000,000, or (iii) the plan is a self-directed plan with investment decisions made solely by persons who are accredited investors. Foundations, endowments and other tax-exempt investors must not be formed for the purpose of investing in the BDC and must have total assets in excess of \$5,000,000. Other types of accredited investors include (i) any investment company registered under the Investment Company Act or a business development company as defined in Section 2(a)(48) of that Act; (ii) any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; (iii) any private business development company as defined in Section 202(a)(22) of the Advisers Act; or (iv) any entity in which all of the equity owners are accredited investors.

The BDC reserves the right to reject subscriptions in its sole discretion. Each purchaser will be required to represent that such purchaser's overall commitment to investments which are not readily marketable is not disproportionate to such purchaser's net worth, and that such purchaser's investment in the BDC will not cause such overall commitment to become excessive; that such purchaser can sustain a complete loss of such purchaser's investment in the BDC and has no need for liquidity in such purchaser's investment in the BDC; and that such purchaser has evaluated the risks of investing in the BDC.

BDC Investors may not be able to liquidate their investment in the event of an emergency or for any other reason because there is not now any public market for the Stock, and none is expected to develop.

The BDC will not be registered as an investment company under the Investment Company Act of 1940, in reliance on Section 3(c)(1) thereof. As a Section 3(c)(1) BDC, the BDC may offer Shares in a private

placement and may have no more than one hundred (100) beneficial owners. The Stock therefore may not be resold except in a transaction registered under the Securities Act and the laws of certain states or in a transaction exempt from such registration. (See “*Restrictions on Transfer of Shares.*”)

Investors who reside in certain states may be required to meet standards different from or in addition to those described above. Investors will be required to represent in writing that they meet any such standards that may be applicable to them. The BDC Manager may, without the consent of the existing BDC Investors, admit new Investors to the BDC. The BDC Manager may reject a subscription for an Interest for any reason in its sole and absolute discretion. If a subscription is rejected, the payment remitted by the Investor will be returned without interest.

EACH PROSPECTIVE INVESTOR SHOULD CONSIDER WHETHER THE PURCHASE OF THE SECURITIES OFFERED HEREBY IS SUITABLE FOR HIM OR HER IN LIGHT OF HIS OR HER INDIVIDUAL INVESTMENT OBJECTIVES.

### FEDERAL TAX ASPECTS

**CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON THE U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

The following material describes certain Federal income tax aspects of an investment in the BDC. No consideration has been given to state and local income tax consequences. This summary provides only a general discussion and does not represent a complete analysis of all income tax consequences of an investment in the BDC, many of which may depend on individual circumstances, such as the residence or domicile of a Shareholder. Capitalized terms used herein and not otherwise defined will have the same meaning set forth in the BDC Management Agreement.

The summary is based on the Code, the regulations thereunder (the “*Regulations*”) and judicial and administrative interpretations thereof, all as of the date of this Memorandum. No assurance can be given that future legislation, Regulations, administrative pronouncements and/or court decisions will not significantly change applicable law and materially affect the conclusions expressed herein. Any such change, even though made after a Shareholder has invested in the BDC, could be applied retroactively. Moreover, the effects of any state, local or foreign tax law, or of federal tax law other than income tax law, are not addressed in these discussions and, therefore, must be evaluated independently by each prospective investor.

No ruling has been requested from the Internal Revenue Service (“*IRS*”) or any other federal, state or local agency with respect to the matters discussed below; nor has the BDC Manager asked its counsel to render any legal opinions regarding any of the matters discussed below. This summary does not in any way either bind the IRS or the courts or constitute an assurance that the income tax consequences discussed herein will be accepted by the IRS, any other federal, state or local agency or the courts. The BDC is not intended and should not be expected to provide any tax shelter.

THIS SUMMARY IS INCLUDED FOR GENERAL INFORMATION ONLY. NOTHING HEREIN IS OR SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE TO ANY INVESTOR. EACH PROSPECTIVE SHAREHOLDER IS URGED TO CONSULT SUCH STOCKHOLDER’S PERSONAL TAX ADVISOR WITH RESPECT TO THE STATE AND FEDERAL INCOME TAX CONSEQUENCES OF HIS PARTICIPATION AS A SHAREHOLDER IN THE BDC.

## **BDC Status**

The Federal income tax consequences to the BDC and its Investors will depend primarily upon the characterization of the BDC as a BDC for Federal income tax purposes rather than as a corporation. If the BDC were treated as a corporation for Federal income tax purposes, all items of income, gain, loss, deduction, and credit would be those of the corporation and would not be passed through to the Investors, and distributions to Investors would be treated as dividends to the extent of current and accumulated earnings and profits. The BDC Manager has not requested, nor does it intend to request, a private letter ruling from the IRS that for Federal income tax purposes, the BDC will be treated as a BDC and not as an association taxable as a corporation.

Recently issued Treasury Regulations provide a default classification as a BDC for Federal tax purposes for any entity formed after 1996 as a BDC under state law. Such an entity may elect to be treated as a corporation for Federal tax purposes. The BDC was formed as A Florida Business Development Company and does not intend to elect to be treated as a corporation for federal tax purposes. Accordingly, the BDC will be classified as a BDC for federal tax purposes.

A BDC is not a taxable entity subject to Federal income tax. Accordingly, the BDC will report its operations for each calendar year and annually will file a United States BDC return of income. Each individual Shareholder should report on his tax return his distributive share of the BDC's income, loss, deductions, and credits, if any, for the taxable year of the BDC ending within or with his taxable year. Each Stockholder's distributive share of such items is determined in accordance with his allocable share of Net Profit and Net Loss as provided in *Article III* of the BDC Management Agreement. As soon as reasonably practicable following the end of the taxable year of the BDC, the BDC will provide each Shareholder with reports showing the items of income, gain, loss, deductions, or credits allocated to the Shareholder for use in the preparation of the tax return. It should be noted that a Shareholder may recognize taxable income attributable to his BDC Interest without receiving any cash distribution with which to pay the taxes thereon.

Publicly Traded BDC Status. Under the Code, a "publicly traded BDC" ("*PTP*") generally is treated as a corporation. A BDC is a publicly traded BDC if Shares therein (1) are traded on an established securities market (as defined under the applicable Regulations ("*PTP Regulations*")) or (2) are readily tradable on a secondary market (or the substantial equivalent thereof) ("readily tradable"). The Shares will not be listed for trading on an established securities market, and the BDC will use its best efforts to ensure that its Shares will not be readily tradable.

The PTP Regulations include a "private placement safe harbor" under which Stock can avoid being treated as readily tradable. The PTP Regulations provide that this safe harbor applies if (1) the Stock were issued in a transaction or transactions not requiring registration under the Securities Act and (2) the BDC has no more than 100 Investors.

For purposes of determining the number of Investors, a person owning a BDC interest through a BDC, grantor trust or S corporation (a "flow-through entity") is counted as a Shareholder only if substantially all the value of that person's interest in the flow-through entity is attributable to the underlying BDC and a principal purpose for using a tiered structure was to satisfy the 100-Shareholder condition. Because the offering of Shares is not required to be registered under the Securities Act, if the BDC has no more than 100 BDC Investors (as determined in accordance with the rules regarding "flow-through" entities noted above), the BDC will meet this "private placement safe harbor" and thus should not be treated as a publicly traded BDC for federal tax purposes. The BDC Management Agreement of the BDC restricts the total number of BDC Investors to 100 (as determined in accordance with the rules regarding "flow-through" entities). Thus, the BDC should qualify for the "private placement safe harbor."

## **Taxation of Operations**

The tax consequences to investors of the BDC's trading activities in securities are very complex. Prospective investors should consult with tax advisers who have substantial expertise with this aspect of the tax law.

Gains and Losses from Securities Transactions. The BDC expects to deal with its securities as a trader or investor (generally, a person that buys and sells securities for its own account for purposes of investment) and not as a dealer (generally, a person that buys from and sells securities to customers with a view to the gains from

those transactions). Accordingly, except as discussed below (see “*Market Discount*”) and absent an election under Section 475(f) of the Code (discussed below), the BDC generally expects that gains and losses recognized on the sale of its securities will be capital gains and losses, which will be long-term or short-term depending, in general, on the length of time it held the securities and, in some cases, the nature of the transactions. There can be no assurance that the IRS will not determine that, for tax purposes, the BDC is a dealer (or should for other reasons be comparably treated). In the event the IRS were to prevail on this issue, transactions which would otherwise have received capital gain or loss treatment may result in ordinary income or loss being recognized by a Shareholder.

Gains from property held for more than one year generally will be eligible for favorable tax treatment. As of the date of this Memorandum, the maximum Federal income tax rate applicable to a noncorporate taxpayer’s net capital gain (the excess of net long-term capital gain over net short-term capital loss) recognized on the sale or exchange of capital assets held for more than one year is 20%. Tax rates are subject to change.

Gain or loss from the disposition of securities generally is considered for tax purposes only when realized. However, a taxpayer that is engaged in a trade or business as a trader in securities (defined to include, among other instruments, corporate stock, bonds and other evidences of indebtedness, certain notional principal contracts and Shares and derivative financial instruments in any of the foregoing or a currency, including any option, futures contract, forward contract, short position and similar financial instrument in such a security or currency) may elect under Section 475(f) of the Code to “mark to market” the securities it holds at the end of each taxable year (that is, to recognize gain or loss with respect to those securities as if the trader sold them for their fair market value on the last business day of the year). The BDC does not intend to make this “mark to market” election, but may do so if deemed, in the BDC Manager’s sole discretion, to be in the best interest of the BDC. If it were to do so, the election would apply to the year in which it is made and all subsequent taxable years and to all securities held in connection with the trader’s trade or business. A mark-to-market election cannot be revoked without the consent of the IRS. Any gain or loss recognized pursuant to the election would be treated as ordinary income or loss.

Constructive Sales. If the BDC has an “appreciated financial position” – generally, an interest (including an interest through an option, futures contract, forward contract or short sale) with respect to any stock, debt instrument (other than “straight debt”) or BDC interest the fair market value of which exceeds its adjusted basis – and enters into a “constructive sale” of the position, it will be treated as having made an actual sale thereof, with the result that gain will be recognized at that time. A constructive sale generally consists of a short sale, an offsetting notional principal contract, a futures contract or a forward contract entered into by the BDC or a related person with respect to the same or substantially identical property. In addition, if the appreciated financial position is itself such a short sale or such a contract, acquisition of the underlying property or substantially identical property will be deemed a constructive sale. In general, however, a transaction will not be considered a constructive sale if it is closed by the BDC within 30 days after the end of the taxable year in which it was originally entered into and the BDC holds the related appreciated financial position unhedged for 60 days after that closing (*i.e.*, at no time during that 60-day period is the BDC’s risk of loss regarding that position reduced by reason of certain specified transactions with respect to substantially identical or related property, such as having an option to sell, being contractually obligated to sell, making a short sale or granting an option to buy substantially identical stock or securities).

Original Issue Discount. The BDC may acquire certain debt instruments that are subject to the original issue discount (“*OID*”) rules of Section 1272 of the Code. A debt instrument subject to such rules (which apply to most debt instruments) is treated as having OID if its “stated redemption price at maturity” exceeds its “issue price” by more than a *de minimis* amount. Generally, the stated redemption price of a debt instrument includes all amounts payable other than “qualified stated interest” (*i.e.*, payments that are unconditionally required to be paid at least annually at a single fixed rate over the term of the instrument). Thus, if and to the extent the BDC acquires debt instruments bearing OID, the BDC (and, therefore, its BDC Investors) would be required to include in ordinary income OID, based on a constant yield method, before the receipt of cash attributable to such income, regardless of the BDC’s regular method of accounting. OID accrues daily in accordance with a constant yield method based on a compounding of interest. The OID allocable to any accrual period will be equal to the product of the adjusted issue price of the debt instrument as of the beginning of such period and the yield to maturity of

the debt instrument. In the case of debt instruments acquired by the BDC at their original issue, the adjusted issue price of the debt instrument as of the beginning of any accrual period will equal its issue price to the BDC, increased by the amount of OID previously included in the gross income of the BDC and decreased by the amount of any payments made to the BDC on the debt instruments. If, on the other hand, the BDC acquires debt instruments bearing OID subsequent to their original issuance, the BDC will also be required to include OID in income, but the inclusion thereof may vary depending on the price paid by the BDC for such debt instruments. If the BDC purchases a debt instrument at less than its adjusted issue price, the BDC will have market discount in addition to the remaining OID on such debt instrument (see “*Market Discount*”). If the price paid by the BDC exceeds such adjusted issue price but is less than the stated redemption price at maturity, the BDC will have acquisition premium equal to such excess and may offset OID accruals by the amortization of such acquisition premium. If the price paid by the BDC for a debt instrument exceeds its stated redemption price at maturity, the BDC may elect to amortize such excess under rules relating to acquisition premium.

Market Discount. If the BDC purchases, subsequent to its original issuance, a debt instrument for a price that is less than its adjusted issue price, the BDC (and, therefore, its BDC Investors) may be subject to the rules relating to accrued market discount. Generally, any gain recognized by the BDC upon a sale or other disposition of a debt instrument will be treated as ordinary income rather than capital gain to the extent of that portion of the market discount that accrued prior to such disposition. Market discount generally accrues on a straight-line basis over the remaining term of a debt instrument, but the holder can elect to compute accrued market discount based on the economic yield of the debt instrument. If the BDC’s purchase is debt-financed, the BDC will not be entitled to deduct interest expense allocable to accrued market discount until it recognizes the corresponding income. However, the BDC may elect to include the market discount in income as it accrues. If this election is made, any gain recognized on a disposition of the debt instrument would be entirely capital gain and the rules deferring the deduction of interest expense on related loans would not apply.

Organization Expenditures. Sec. 902(c)(2) of the American Jobs Creation Act of 2004 amended IRC Code Section 709(b) regarding the deduction of Organizational Expenses. This amendment allows the BDC to deduct up to \$5,000 of organization expenditures, reduced by the amount by which the expenditures exceed \$50,000, for the year in which the BDC begins operations. The remainder of the Organizational Expenses are deducted ratably over the 180-month period beginning with the month in which the BDC begins operations. Accordingly, although the BDC may amortize its Organizational Expenses over a 60 month period, the deductibility of such expenses by a Shareholder for federal income tax purposes will be limited.

Foreign Withholding. Income received by the BDC from sources within non-U.S. countries may be subject to withholding and other taxes imposed by such countries. Each Shareholder may be entitled either to deduct (as an itemized deduction) his or her proportionate share of the non-U.S. taxes of the BDC in computing his or her taxable income or to use the amount as a foreign tax credit against his or her U.S. federal income tax liability, subject to limitations. Generally, a credit for non-U.S. taxes is subject to the limitation that it may not exceed the taxpayer’s U.S. tax attributable to his or her non-U.S. source taxable income. With respect to Investors who are U.S. Persons (as defined herein), certain currency fluctuation gains, including fluctuation gains from non-U.S.-dollar-denominated debt securities, receivables and payables, will be treated as ordinary income derived from U.S. sources; BDC gains from the sale of securities also will be treated as derived from U.S. sources. The limitation on the foreign tax credit is applied separately to non-U.S. source passive income (as defined for purposes of the foreign tax credit), including the non-U.S. source passive income realized by the BDC. The foreign tax credit limitation rules do not apply to certain electing individual taxpayers who have limited creditable non-U.S. taxes and no non-U.S. source income other than passive investment-type income. The foreign tax credit generally is eliminated with respect to non-U.S. taxes withheld on income and gain if the BDC fails to satisfy minimum holding period requirements with respect to the property giving rise to the income and gain.

#### **Disallowance of Certain Itemized Deductions**

The BDC will be required each year to make the determination as to whether it will take the position for Federal income tax purposes that it is (i) a trader in securities or (ii) an investor in securities. This determination will be made separately each year based primarily on the level of the BDC’s securities activities during the particular year. Accordingly, the BDC’s status as a trader or an investor may vary from year to year

and is difficult to predict in advance. If the BDC is characterized as a trader, each Shareholder who is an individual may deduct his share of the expenses of the BDC (other than interest expense, but including the Management Fee) under Code Section 162 as a business expense. Alternatively, if the BDC is characterized as an investor, the expenses of the BDC (other than interest expense, but including the Management Fee) would constitute “miscellaneous itemized deductions”, and as such, would be deductible by an individual only to the extent that his share of such expenses, when combined with his other “miscellaneous itemized deductions”, exceeds 2% of his adjusted gross income. Further, the amount in excess of such 2% floor would be subject to the overall limitation on itemized deductions imposed by Code Section 68. In addition, the amount in excess of such 2% floor would be considered a tax preference item in computing the alternative minimum tax for an individual taxpayer.

The BDC may also take a more aggressive tax position than a Shareholder might. Should the IRS disallow any such position, Investors could be audited and required to pay back taxes, interest and perhaps penalties. Under the Code, neither interest nor any penalties incurred in such circumstances would be deductible. Further, the Code provides for centralized resolution of tax disputes where BDCs are involved. As a result, the resolution of tax disputes affecting Investors’ returns may ultimately be controlled by the BDC Manager. Any audit activity at the BDC level could also result in the audit of individual Investors’ returns with respect to items unrelated to the BDC’s activities.

### **Allocation of Income, Deductions, or Loss**

Section 704(b) of the Code honors allocations of profits and losses as set forth in BDC Management Agreements provided that such allocations have “substantial economic effect.” The BDC Manager believes that the allocations provided for by the BDC Management Agreement have substantial economic effect. However, if an allocation is determined not to have “substantial economic effect”, a Stockholder’s allocable share of the item or items involved must be determined on the basis of the Stockholder’s Interest in the BDC after taking into account all the facts and circumstances. No assurance can be given that the IRS will not challenge the allocation of income, gain, loss, deductions or credits contained in the BDC Management Agreement, or in modifications to the BDC Management Agreement. If such a challenge is made, no assurance can be given that a court will uphold the allocations so made.

### **Tax Elections**

The Code generally provides for optional adjustments to the basis of BDC property upon distributions of BDC property to a Shareholder and transfers of Stock (including by reason of death) provided that a BDC election has been made pursuant to Section 754. Under the BDC Management Agreement, the BDC Manager, in its sole discretion, may cause the BDC to make such an election. Any such election, once made, cannot be revoked without the IRS’s consent. As a result of the complexity and added expense of the tax accounting required to implement such an election, the BDC Manager presently does not intend to make such election.

### **Mandatory Basis Adjustments**

The BDC is generally required to adjust its tax basis in its assets in respect of all Investors in cases of BDC distributions that result in a “substantial basis reduction” (*i.e.*, in excess of \$250,000) in respect of the BDC’s property. The BDC is also required to adjust its tax basis in its assets in respect of a transferee, in the case of a sale or exchange of an interest, or a transfer upon death, when there exists a “substantial built-in loss” (*i.e.*, in excess of \$250,000) in respect of BDC property immediately after the transfer. For this reason, the BDC will require (i) a Shareholder who receives a distribution from the BDC in connection with a complete withdrawal, (ii) a transferee of an Interest (including a transferee in case of death) and (iii) any other Shareholder in appropriate circumstances to provide the BDC with information regarding its adjusted tax basis in its Interest.

### **Alternative Minimum Tax**

The extent, if any, to which the federal alternative minimum tax will be imposed on any Shareholder, will depend on the Stockholder’s overall tax situation for the taxable year. Prospective investors should consult with their tax advisers regarding the alternative minimum tax consequences of an investment in the BDC.

### **General Rules Applicable to Tax-Exempt Organizations**

A tax-exempt organization generally is exempt from Federal income tax on its passive investment income, such as dividends, interest, and capital gains, whether realized by the organization directly or indirectly



through a BDC in which it is a Shareholder. (Tax-exempt organizations which are private foundations currently are subject to a 2% tax on their “net investment income.”)

The general exemption from tax afforded to tax-exempt organizations does not apply to their “unrelated business taxable income” (“**UBTI**”). A type of UBTI is income or gain derived directly or through a BDC from “debt-financed property”, which is any income-producing property with respect to which there is “acquisition indebtedness” at any time during the taxable year. Gain from the sale or exchange of, and derived from, debt-financed property generally is taxable in the proportion in which the property is financed by “acquisition indebtedness.” The BDC Management Agreement allows the BDC to incur indebtedness (through the purchase of securities on margin and otherwise). Tax-exempt organizations which are Investors will be subject to Federal income tax on such portion of their income from the BDC that is considered to be UBTI.

There are special considerations which should be taken into account by certain beneficiaries of charitable remainder trusts that invest in the BDC. Charitable remainder trusts should consult their own tax advisers concerning the tax consequences of such an investment on their beneficiaries. In particular, a charitable remainder trust will not be exempt from federal income tax under Code Section 664(c) for any year in which it has UBTI. Moreover, the charitable contribution deduction for a trust under Code Section 642(c) may be limited for any year in which the trust has UBTI.

### **Passive Activity Losses**

The Code restricts the deductibility of losses from a “passive activity” against certain income which is not derived from a passive activity. This restriction applies to individuals, estates or trusts, personal service corporations and certain closely-held corporations. Pursuant to Temp. Treas. Reg. §1.469-1T(e)(6)(i), however, the activity of trading personal property for the account of owners of Shares in the activity is not a passive activity. Moreover, an example issued pursuant to such regulation expressly provides a BDC is not engaged in a passive activity if its activities consist of trading stocks, bonds, and other securities where the capital employed by the BDC consists of amounts contributed by the Investors in exchange for their Stock and BDCs borrowed by the BDC. Therefore, to the extent the BDC limits its activities to trading stocks, bonds, and other securities, the income or loss allocated to a Shareholder will not constitute passive income or passive loss. Consequently, any income allocated to a Shareholder will be portfolio income which cannot be used to shelter passive losses from a Stockholder’s other investments.

### **Distributions**

A distribution by a BDC to a Shareholder generally is not taxable to the Shareholder except to the extent the distribution consists of cash (and, in certain circumstances, marketable securities) and exceeds the Stockholder’s adjusted basis of its interest in the BDC immediately before the distribution. A Shareholder who receives a distribution of property other than cash may recognize gain if such Shareholder contributed appreciated property (other than the property being distributed) to the BDC within seven years before the distribution. In addition, a Shareholder who has contributed appreciated property to a BDC may recognize gain if such property is distributed to another Shareholder within seven years after the property was contributed. Ordinarily, any such excess will be treated as gain from a sale or exchange of the Stockholder’s interest. However, the BDC does not generally intend to make distributions to its BDC Investors.

### **Sale of Interest**

A Shareholder receiving a cash liquidating distribution from the BDC, in connection with a complete withdrawal from the BDC generally will recognize capital gain or loss to the extent of the difference between the proceeds received by such Shareholder and such Stockholder’s adjusted tax basis in its BDC Interest. Such capital gain or loss will be short-term or long-term depending upon the Stockholder’s holding period for its interest in the BDC. However, a withdrawing Shareholder will recognize ordinary income to the extent such Stockholder’s allocable share of the BDC’s “unrealized receivables” exceeds the Stockholder’s basis in such unrealized receivables, as determined pursuant to the Regulations. For these purposes, accrued but untaxed market discount, if any, on securities held by the BDC will be treated as an unrealized receivable with respect to the withdrawing Shareholder.

As discussed above, the BDC Management Agreement provides that the BDC Manager may specially allocate items of BDC capital gain or loss, including short-term capital gain or loss, to a withdrawing Shareholder

to the extent its liquidating distribution would otherwise exceed its adjusted tax basis in its BDC interest. Such a special allocation may result in the withdrawing Shareholder recognizing capital gain or loss, which may include short-term gain or loss, in the Stockholder's last taxable year in the BDC, thereby reducing the amount of long-term capital gain or capital loss recognized during the tax year in which it receives its liquidating distribution upon withdrawal.

Except as provided below, distributions of property other than cash, whether in complete or partial liquidation of a Stockholder's interest in the BDC, generally will not result in the recognition of taxable income or loss to the Shareholder, except to the extent such distribution is treated as made in exchange for such Stockholder's share of the BDC's unrealized receivables. Gain generally must be recognized where the distribution consists of marketable securities unless the distributing BDC is an "investment BDC" and the recipient is an "eligible Shareholder" as defined in Code Section 731(c). While there can be no assurance, it is anticipated that the BDC will qualify as an "investment BDC." Thus, if a Shareholder is an "eligible Shareholder," which term should include a Shareholder whose sole contributions to the BDC consisted of cash, the non-recognition rule described above should apply.

### **Audit of Tax Returns**

The IRS is applying greater scrutiny to a proper application of the tax laws to BDCs. An audit of the BDC's information returns may precipitate an audit of the income tax returns of the BDC Investors. Any expense involved in an audit of a Stockholder's return must be borne by the Shareholder. If the IRS successfully asserts an adjustment of any item of income, gain, loss, deduction, or credit reported on a BDC information return, corresponding adjustments will be made to the income tax returns of the BDC Investors. Further, any audit might result in the IRS making adjustments to items of non-BDC income or loss. If a tax deficiency is determined, the taxpayer is liable for interest on the deficiency from the due date of the return and possible penalties.

In general, the tax treatment of items of BDC income, gain, loss, deduction, or credit is to be determined at the BDC level in a unified BDC proceeding, rather than in separate proceedings with the Investors. Generally, the "tax matters Shareholder" ("*TMP*") would represent the BDC before the IRS and may enter into a settlement with the IRS as to the BDC tax issues, which generally will be binding on all the Investors. Similarly, only one judicial proceeding contesting an IRS determination may be filed on behalf of a BDC and all Investors. The TMP may consent to an extension of the statute of limitations for all Investors with respect to BDC items. The BDC has designated the BDC Manager as the TMP.

### **Tax Shelter Disclosure**

Certain rules require taxpayers to disclose -- on their Federal income tax returns and, under certain circumstances, separately to the Office of Tax Shelter Analysis -- their participation in "reportable transactions" and require "material advisors" to maintain investor lists with respect thereto. These rules apply to a broad range of transactions, including transactions that would not ordinarily be viewed as tax shelters, and to indirect participation in a reportable transaction (such as through a BDC). For example, a Shareholder that is an individual will be required to disclose a tax loss resulting from the sale or exchange of his or her Interest under Code Section 741 if the loss exceeds \$2 million in any single taxable year or \$4 million in the taxable year in which the transaction is entered into and the five succeeding taxable years -- those thresholds are \$10 and \$20 million, respectively, for BDC Investors that are C corporations and \$50,000 in any single taxable year for individuals and trusts, either directly or through a pass-through entity, such as the BDC, from foreign currency transactions. Losses are adjusted for any insurance or other compensation received but determined without taking into account offsetting gains or other income or limitations on deductibility. Prospective investors are urged to consult with their own tax advisers with respect to the regulations' effect on an investment in the BDC.

### **State and Local Taxation**

In addition to the Federal income tax considerations summarized above, prospective investors should consider potential state and local tax consequences of an investment in Shares. A Stockholder's distributive share of the BDC's taxable income or loss generally will be required to be included in determining the Stockholder's taxable income for state and local tax purposes in the jurisdiction in which it is resident. However, state and local laws may differ from the Federal income tax law with respect to the treatment of specific items of income, gain, loss, and deduction.

## ERISA CONSIDERATIONS

**CIRCULAR 230 NOTICE. THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE: (1) ANY U.S. FEDERAL TAX ADVICE CONTAINED HEREIN, INCLUDING ANY OPINION OF COUNSEL REFERRED TO HEREIN, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (2) ANY SUCH ADVICE IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN (OR IN ANY SUCH OPINION OF COUNSEL); AND (3) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

THE FOLLOWING SUMMARY OF CERTAIN ASPECTS OF ERISA IS BASED UPON ERISA, JUDICIAL DECISIONS, DEPARTMENT OF LABOR REGULATIONS AND RULINGS IN EXISTENCE ON THE DATE HEREOF. THIS SUMMARY IS GENERAL IN NATURE AND DOES NOT ADDRESS EVERY ERISA ISSUE THAT MAY BE APPLICABLE TO THE BDC OR A PARTICULAR INVESTOR. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ERISA ISSUES AFFECTING THE BDC AND THE INVESTOR.

### **General**

Persons who are fiduciaries with respect to a U.S. employee benefit plan or trust within the meaning of and subject to the provisions of ERISA (an “*ERISA Plan*”), an individual retirement account or a Keogh plan subject solely to the provisions of the Code<sup>1</sup> (an “*Individual Retirement BDC*”) should consider, among other things, the matters described below before determining whether to invest in the BDC. ERISA imposes certain general and specific responsibilities on persons who are fiduciaries with respect to an ERISA Plan, including prudence, diversification, avoidance of prohibited transactions and compliance with other standards. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor (“*DOL*”) regulations provide that a fiduciary of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan’s portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan’s purposes, the risk and return factors of the potential investment, the portfolio’s composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan, the projected return of the total portfolio relative to the ERISA Plan’s objectives, and the limitation on the rights of BDC Investors to withdraw all or any part of their Shares or to transfer their Shares. Before investing the assets of an ERISA Plan in the BDC, a fiduciary should determine whether such an investment is consistent with its fiduciary responsibilities and the foregoing regulations. For example, a fiduciary should consider whether an investment in the BDC may be too illiquid or too speculative for a particular ERISA Plan and whether the assets of the ERISA Plan would be sufficiently diversified. If a fiduciary with respect to any such ERISA Plan breaches its responsibilities with regard to selecting an investment or an investment course of action for such ERISA Plan, the fiduciary may be held personally liable for losses incurred by the ERISA Plan as a result of such breach.

### **Plan Assets Defined**

ERISA and applicable DOL regulations describe when the underlying assets of an entity in which benefit plan investors (“*Benefit Plan Investors*”) invest are treated as “plan assets” for purposes of ERISA. Under ERISA, the term Benefit Plan Investors is defined to include an “employee benefit plan” that is subject to the provisions of Title I of ERISA, a “plan” that is subject to the prohibited transaction provisions of Section 4975 of the Code, and entities the assets of which are treated as “plan assets” by reason of investment therein by Benefit Plan Investors. Under ERISA, as a general rule, when an ERISA Plan invests assets in another entity, the ERISA Plan’s assets include its investment, but do not, solely by reason of such investment, include any of

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<sup>1</sup> References hereinafter made to ERISA include parallel references to the Code.

the underlying assets of the entity. However, when an ERISA Plan acquires an “equity interest” in an entity that is neither: (a) a “publicly offered security”; nor (b) a security issued by an investment BDC registered under the Investment Company Act, then the ERISA Plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established that: (i) the entity is an “operating company”; or (ii) the equity participation in the entity by Benefit Plan Investors is limited. Under ERISA, the assets of an entity will not be treated as “plan assets” if Benefit Plan Investors hold less than 25% (or such higher percentage as may be specified in regulations promulgated by the DOL) of the value of each class of equity Shares in the entity. Equity Shares held by a person with discretionary authority or control with respect to the assets of the entity and equity Shares held by a person who provides investment advice for a fee (direct or indirect) with respect to such assets or any affiliate of any such person (other than a Benefit Plan Investor) are not considered for purposes of determining whether the assets of an entity will be treated as “plan assets” for purposes of ERISA. The Benefit Plan Investor percentage of ownership test applies at the time of an acquisition by any person of the equity Shares. In addition, an advisory opinion of the DOL takes the position that a redemption of an equity interest by an investor constitutes the acquisition of an equity interest by the remaining investors (through an increase in their percentage ownership of the remaining equity Shares), thus triggering an application of the Benefit Plan Investor percentage of ownership test at the time of the redemption.

### **Limitation on Investments by Benefit Plan Investors**

It is the current intent of the BDC Manager to monitor the investments in the BDC to ensure that the aggregate investment by Benefit Plan Investors does not equal or exceed 25% of the value of any class of the Shares in the BDC (or such higher percentage as may be specified in regulations promulgated by the DOL) so that assets of the BDC will not be treated as “plan assets” under ERISA. Shares held by the BDC Manager and its affiliates are not considered for purposes of determining whether the assets of the BDC will be treated as “plan assets” for the purpose of ERISA. If the assets of the BDC were treated as “plan assets” of a Benefit Plan Investor, the BDC Manager would be a “fiduciary” (as defined in ERISA and the Code) with respect to each such Benefit Plan Investor, and would be subject to the obligations and liabilities imposed on fiduciaries by ERISA. In such circumstances, the BDC would be subject to various other requirements of ERISA and the Code. In particular, the BDC would be subject to rules restricting transactions with “parties in interest” and prohibiting transactions involving conflicts of interest on the part of fiduciaries which might result in a violation of ERISA and the Code unless the BDC obtained appropriate exemptions from the DOL allowing the BDC to conduct its operations as described herein. The BDC reserves the right to require the withdrawal of all or part of the Interest held by any Shareholder, including, without limitation, to ensure compliance with the percentage limitation on investment in the BDC by Benefit Plan Investors as set forth above.

### **Representations by Plans**

An ERISA Plan proposing to invest in the BDC will be required to represent that it is, and any fiduciaries responsible for the ERISA Plan’s investments are, aware of and understand the BDC’s investment objectives, policies and strategies, and that the decision to invest plan assets in the BDC was made with appropriate consideration of relevant investment factors with regard to the ERISA Plan and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under ERISA. **WHETHER OR NOT THE ASSETS OF THE BDC ARE TREATED AS “PLAN ASSETS” UNDER ERISA, AN INVESTMENT IN THE BDC BY AN ERISA PLAN IS SUBJECT TO ERISA. ACCORDINGLY, FIDUCIARIES OF ERISA PLANS SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE CONSEQUENCES UNDER ERISA OF AN INVESTMENT IN THE BDC.**

### **ERISA Plans and Individual Retirement BDCs Having Prior Relationships with the BDC Manager or its Affiliates**

Certain prospective ERISA Plan and Individual Retirement BDC investors may currently maintain relationships with the BDC Manager or other entities that are affiliated with the BDC Manager. Each of such entities may be deemed to be a party in interest to and/or a fiduciary of any ERISA Plan or Individual Retirement BDC to which any of the BDC Manager or its affiliates provides investment management, investment advisory or other services. ERISA prohibits ERISA Plan assets to be used for the benefit of a party in interest and also prohibits an ERISA Plan fiduciary from using its position to cause the ERISA Plan to make an investment from

which it or certain third parties in which such fiduciary has an interest would receive a fee or other consideration. Similar provisions are imposed by the Code with respect to Individual Retirement BDCs. ERISA Plan and Individual Retirement BDC investors should consult with counsel to determine if participation in the BDC is a transaction that is prohibited by ERISA or the Code. The provisions of ERISA are subject to extensive and continuing administrative and judicial interpretation and review. The discussion of ERISA contained herein is, of necessity, general and may be affected by future publication of regulations and rulings. Potential investors should consult with their legal advisors regarding the consequences under ERISA of the acquisition and ownership of Shares.

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### **RESTRICTIONS ON TRANSFER OF SHARES**

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The Stock offered hereby have not been registered under the Securities Act, in reliance upon the exemptions provided by the Act and Regulation D thereunder, nor have the Shares been registered under the securities laws of any state in which they will be offered in reliance upon applicable exemptions in such states. Therefore, the Stock cannot be re-offered or resold unless they are subsequently registered under the Securities Act and any other applicable state securities laws or an exemption from registration is available under the Securities Act or such other laws. Pursuant to the terms of the Subscription Agreement, BDC Investors shall agree to pledge, transfer, convey or otherwise dispose of their Shares only in a transaction that is the subject of (i) an effective registration under the Securities Act and any applicable state securities laws or (ii) an opinion of counsel satisfactory to the BDC to the effect that the registration of such transaction is not required. Accordingly, prospective investors in the BDC must be willing to bear the economic risk of an investment in the BDC for the period of time stipulated in the withdrawal provisions of the BDC Management Agreement.

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### **ADDITIONAL INFORMATION**

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Prospective investors should understand that the discussions and summaries of documents in this Memorandum are not intended to be complete. Such discussions and summaries are subject to and are qualified in their entirety by reference to such documents. The BDC will deliver to any prospective investor, upon request, a copy of any and all such documents. The BDC Manager will afford prospective investors and their purchaser representatives the opportunity to ask questions and receive answers concerning the terms and conditions of the Offering and to obtain any additional information which the BDC possesses or can acquire without unreasonable effort or expense.

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### **PRIVACY NOTICE**

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Current regulations require financial institutions (including investment BDCs) to provide their investors with an initial and annual privacy notice describing the institution's policies regarding the sharing of information about their investors. In connection with this requirement, we are providing this Privacy Notice to each of our investors.

We do not disclose nonpublic personal information about our investors or former investors to third parties other than as described below.

We collect information about you (such as name, address, social security number, assets and income) from our discussions with you, from documents that you may deliver to us (such as subscription documents) and in the course of providing services to you. In order to service your account and effect your transactions, we may provide your personal information to our affiliates and to firms that assist us in servicing your account and have a need for such information, such as the advisor, BDC administrator, accountants or auditors. We do not otherwise provide information about you to outside firms, organizations or individuals except as required or permitted by law. Any party that receives this information will use it only for the services required and as allowed by applicable law or regulation and is not permitted to share or use this information for any other purpose.

The BDC Manager of CAPQ BDC Inc.

Capital Q® Management LLC  
100 East Faith Terrace, Suite 1016

Maitland, Florida 32751  
(407) 307-2277

**EXHIBIT A BDC MANAGEMENT AGREEMENT**

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**of**

**CAPQ BDC Inc.**  
**d/b/a Capital Q® Business Development Company**

Dated as of June 1, 2023

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This BDC Management Agreement (the “*Agreement*”) of CAPQ BDC Inc. (the “Company” or the “*BDC*”) is made and entered into as of this 10<sup>th</sup> day of March 2020 by and among Capital Q Management LLC, a Florida limited liability company, as the BDC Manager and the BDC Investors.

#### WITNESSETH

**WHEREAS** the parties hereto desire to form and elect to be regulated as a Business Development Company (“BDC”) for the purposes hereinafter provided.

**NOW, THEREFORE**, for and in consideration of the foregoing premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby covenant and agree as follows:

#### ARTICLE I – FORMATION AND PURPOSE

1.01 Formation. The parties hereby form a BDC and agree to conduct business as an externally managed closed-end investment management company that is Specifically regulated by the Investment Company Act of 1940, as amended (the 1940 Act) and who has elected to be subject to the provisions of Sections 55 through 65 of the 1940 Act.

1.02 The Company was organized as a Florida Corporation on March 20, 2020 to operate as a private non-publicly traded BDC.

1.03 The BDC Manager has executed a Certificate and caused it to be filed as required by the Act and shall from time to time execute and file elsewhere a similar certificate when required by applicable law or permitted by applicable law and advisable for the BDC to do so.

1.04 Name. The name of the BDC shall be: CAPQ BDC Inc. d/b/a Capital Q Business Development Company (the “*BDC*”), and the business of the BDC shall be conducted under the name “*Capital Q® Business Development Company*”.

1.05 Offices. The registered office of the BDC in the state of Florida is located at 100 East Faith Terrace, Suite 1016, Maitland, Florida 32751. The BDC may have such additional offices at such other places as the BDC Manager shall deem advisable.

1.06 Term. The BDC shall continue until the earlier of (i) the termination, bankruptcy, insolvency or dissolution of the BDC Manager, (ii) the complete withdrawal of the BDC Manager from the BDC, unless a successor BDC Manager is appointed pursuant to *Section 4.02(b)* hereof, (iii) entry of a decree of judicial dissolution under Section 17-802 of the Act, (iv) a determination by the BDC Manager that the BDC should be dissolved, or (v) ten (10) years after the date that the BDC first accepts a capital contribution (the “*Term*”), provided that the BDC Manager, in its sole discretion, may extend the Term for an additional five (5) calendar years, each such additional calendar year subject to an annual review and determination by the BDC Manager whether to extend the Term. EXCEPT, IF THE SHAREHOLDERS HAVE APPROVED PRIOR TO THE TERM ENDING, THE BDC TO FILE ITS REGISTRATION STATEMENT FOR A CLASS OF EQUITY SECURITIES PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934, AND HAVE ADDITIONALLY FILED, FORM N-54A NOTIFICATION OF ELECTION TO BE SUBJECT TO SECTIONS 55 THROUGH 65 OF THE INVESTMENT COMPANY ACT OF 1940, FILED PURSUANT TO SECTION 54(a) OF THE ACT AND QUALIFIED AS A BDC FOR AN INITIAL PUBLIC OFFERING OR ALTERNATIVELY COMPLETES A BUSINESS COMBINATION TO BE MERGED INTO A PUBLICLY TRADED BDC, WHICH WOULD HAS THE SAME EFFECT OF A REGISTRATION OF THE COMPANY’S COMMON STOCK TO BE TRADED PUBLICLY.

1.07 Purpose of BDC.

(a) The BDC is organized for the purpose of investing in Securities and engaging in all activities and transactions as the BDC Manager may deem necessary or advisable in connection therewith and doing such other lawful acts as the BDC Manager may deem necessary or advisable in connection with the maintenance and administration of the BDC.

(b) The BDC may engage in other activities and businesses incidental to the purpose of the BDC as may be necessary or desirable, in the opinion of the BDC Manager, to promote and carry out the principal purposes of the BDC, as set forth above; *provided, however*, that, without the written consent of all of the Investors: (i) the purpose of the BDC

shall not be changed, and (ii) the BDC shall not engage in any substantial business endeavor other than those consistent with the purpose of the BDC, or incidental thereto.

1.08 Investment Management Techniques Proprietary. The investment management systems, techniques and methods employed by the BDC Manager in the management of the BDC's investments shall be the sole property of the BDC Manager, and neither the BDC nor any Shareholder shall have any interest in or right or claim with respect to such investment management systems, techniques or methods or in any of the research products or recommendations generated through their use.

1.09 Definitions. Capitalized terms used and not defined herein shall have the meaning attributed to such terms in the definitions set forth in Appendix A hereto, or in the relevant section of this Agreement listed on Appendix A.

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## ARTICLE II – ADMISSION OF INVESTORS; CAPITALIZATION

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2.01 Admission of Investors. The BDC Manager may admit one or more new Investors at such times and on such terms as the BDC Manager deems appropriate, subject only to the conditions that:

(a) Each new Shareholder shall execute a Subscription Agreement pursuant to which it agrees to be bound by the terms and provisions hereof;

(b) The total number of BDC Investors may not at any time exceed one hundred (100) (as interpreted under Section 3 of the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder); and

(c) The BDC Manager reasonably believes that any new Shareholder satisfies the minimum investor suitability standards established by the BDC Manager.

2.02 Capital Contributions of BDC Investors. Upon admission to the BDC, each Shareholder shall contribute Cash in the amount set forth in such Stockholder's Subscription Agreement. The minimum initial capital contribution to the BDC by a Shareholder is generally \$100,000 subject to the BDC Manager's sole discretion to accept subscriptions for lesser amounts or, upon giving notice to the BDC Investors, to require a higher minimum. BDC Investors may be admitted on the first business day of any calendar month, or at any other time the BDC Manager chooses to accept initial capital contributions. The BDC Manager may, in its sole discretion, reject any initial subscription request.

2.03 Additional Capital Contributions. A Shareholder may make additional contributions in Cash to the BDC in amounts of not less than \$25,000, with the consent of the BDC Manager and subject to its sole and absolute discretion to accept lesser amounts. Additional capital contributions may be accepted from existing BDC Investors on the first business day of any calendar month, or at any other time the BDC Manager chooses to accept such additional capital contributions. The BDC Manager may, in its sole discretion, reject any additional subscription request.

2.04 No Interest on Contributions. No Shareholder shall be entitled to receive interest on its capital contributions.

2.05 No Right to Return of Capital Contribution. No Shareholder shall have the right to withdraw from the BDC or to demand a return of all or any part of his capital contribution during the term of the BDC except as provided in *Article IV* hereof.

2.06 Liability of BDC Investors. Notwithstanding any other term or provision of this Agreement to the contrary, in no event shall any Shareholder be liable for (i) any debts, obligations, liabilities or indemnifications of the BDC in an amount that exceeds the capital contribution of such Shareholder or for (ii) any debts, obligations, liabilities or indemnifications of any other Shareholder, nor shall the BDC Investors have any personal liability for contributing any capital to the BDC.

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## ARTICLE III – CAPITAL ACCOUNTS; PROFITS AND LOSSES

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3.01 Capital Accounts.

(a) A Capital Account shall be established and maintained on the books of the BDC for each Shareholder. The amount of each Stockholder's initial capital contribution shall be credited to its Capital Account at the beginning of the Accounting Period in which such capital contribution is accepted. At the end of such Accounting Period (and each Accounting Period thereafter), the Capital Account of each Shareholder shall be (i) increased or decreased by the amount

credited or debited to the Capital Account of such Shareholder pursuant to *Section 3.02(a) through (c)*, and (ii) increased by such Stockholder's share of any amount re-allocated from a Side Pocket Investment Account pursuant to *Section 3.04(c)*. At the beginning of each Accounting Period thereafter, the Capital Account of each Shareholder shall be increased by the amount of any additional capital contributions made by such Shareholder on the first day of such Accounting Period, and decreased by (i) the amount of any withdrawals made by such Shareholder pursuant to *Article IV* as of the end of the immediately preceding Accounting Period and (ii) its share of an investment for which a Side Pocket Investment Account is created pursuant to *Section 3.04(b)*. At the end of each Accounting Period that ends on the last day of a quarter, each Stockholder's Capital Account shall be decreased by the amount of the Management Fee then due pursuant to *Section 5.06(a)*.

(b) Capital Account balances and the value of any capital contributed to the BDC shall be determined by application of the capital accounting rules in Regulations Section 1.704-1(b)(2)(iv).

(c) No portion of any capital contribution shall be allocated to any Side Pocket Investment Account that is already being maintained by the BDC at the time of such capital contribution. Any Security that is being held in a Side Pocket Investment Account shall not be considered to be part of a Stockholder's Capital Account for purposes of this *Section 3.01*, except to the extent the investment or the proceeds of such Side Pocket Investment Account are re-allocated to a Stockholder's Capital Account pursuant to *Section 3.04(c)*.

### 3.02 Shares in Profits and Losses; Carried Interest.

(a) The Net Profit or Net Loss for each Accounting Period shall be tentatively allocated to each Stockholder's respective Capital Account, subject only to reduction pursuant to *Section 3.02(b)*, as of the last day of the Accounting Period, as follows: (i) with respect to Net Capital Appreciation or Net Capital Depreciation, in proportion to the Stockholder's Allocation Percentage for such Accounting Period, and (ii) with respect to Net Realized Gain or Net Realized Loss in connection with a Side Pocket Investment, in proportion to the Stockholder's Allocation Percentage as of the date the applicable Side Pocket Investment Account was created. For purposes of calculating Net Capital Appreciation or Net Capital Depreciation, the BDC will include both realized and unrealized gains and losses on its investments. In the case of the BDC Manager, the entire amount initially allocated to its Capital Account pursuant to the first sentence of this *Section 3.02(a)* shall be finally allocated to its Capital Account at the close of the Accounting Period.

(b) Subject to the limitations set forth in *Section 3.04 through 3.08*, upon the occurrence of each Realization Event following the Lock-Up (as defined herein), the aggregate net cash proceeds, if any, allocated to each Shareholder upon such Realization Event shall be finally allocated as follows:

- (i) First, to such Shareholder until such time as the Shareholder has received and/or reinvested aggregate net cash proceeds from Realization Events in an amount equal to eight percent (8%) of such Stockholder's aggregate capital contributions to the BDC,
- (ii) Second, 2% "catch-up" of such excess shall be allocated to the BDC Manager (such amount allocated to the BDC Manager, the "***Carried Interest***").
- (iii) Thereafter, 80% to such Shareholder and 20% to the BDC Manager, until it has received at least 90% of any excess over the amount allocated and pursuant to the foregoing *Section 3.02(b)(i)*.

The final allocations set forth in this *Section 3.02(b)* (and *3.02(c)* below) may be computed at the end of an Accounting Period, in the sole discretion of the BDC Manager, for a Shareholder who effects a partial or complete withdrawal from its Capital Account at the end of such Accounting Period as if the applicable Distribution Date were the last day of a Carried Interest Period. If such Shareholder is making a partial withdrawal of its Capital Account, the allocations set forth in this *Section 3.02* for the remainder of the Carried Interest Period in which such Accounting Period occurs shall be based on such Stockholder's Allocation Percentage immediately following such withdrawal. The BDC Manager may, in its sole discretion, enter into arrangements with BDC Investors under which the Carried Interest is reduced, waived or calculated differently with respect to such BDC Investors, including, without limitation, BDC Investors that are members, affiliates or employees of the BDC Manager, members of the immediate families of such persons and trusts or other entities for their benefit, or BDC Investors that make a substantial investment or otherwise are determined by the BDC Manager in its sole discretion to represent a strategic relationship.

(c) Subject to the limitations set forth in *Section 3.04 through 3.08*, upon the occurrence of each Realization Event, the aggregate Net Loss, if any, allocated to each Shareholder upon such Realization Event shall be finally allocated to such Shareholder.

### 3.03 Allocations of Side Pocket Investments.

(a) In the event the BDC Manager determines to cause the BDC to make a Side Pocket Investment, a separate bookkeeping account shall be established for each Side Pocket Investment (each a “*Side Pocket Investment Account*”). Each Side Pocket Investment Account shall have an initial aggregate value (the “*Original Value*”) equal to the fair value (as determined by the BDC Manager) of the Side Pocket Investment at the time the applicable Side Pocket Investment Account was established (which shall generally be cost if the investment is designated as a Side Pocket Investment at the time of its acquisition).

(b) On the date a Side Pocket Investment Account is established, each Stockholder’s Capital Account shall be reduced by an amount determined by multiplying such Stockholder’s Allocation Percentage as of such date by the Original Value of such investment. Net Realized Gain and Net Realized Loss shall be allocated to the Investors participating in a Side Pocket Investment Account in proportion to their respective Allocation Percentages on the date such Side Pocket Investment Account was established.

(c) Upon the occurrence of a Realization Event with respect to a Side Pocket Investment, the Fair Market Value of the Securities held or received with respect to such Realization Event and/or the cash proceeds thereof shall be reallocated, at such time as the BDC Manager determines, from the Side Pocket Investment Account to the Capital Accounts of each of the Investors participating therein *pro rata* in proportion to their respective Allocation Percentages on the date the applicable Side Pocket Investment Account was established and, thereafter, the Side Pocket Investment Account shall be closed out.

(d) The Original Value of each Side Pocket Investment may include such reserves (including reserves for working capital and contingencies) as the BDC Manager in its discretion may consider advisable or necessary. In addition, the BDC Manager shall charge any expense relating specifically to a Side Pocket Investment to each Shareholder that has an interest in the applicable Side Pocket Investment Account in proportion to such Stockholder’s Allocation Percentage as of the date such Side Pocket Investment Account was established. The Management Fee calculated under *Section 5.06(a)* with respect to Side Pocket Investments shall be based on the most recent audited financial statements of such investments; *provided that*, where such audited financial statements are not available, such investments will be valued at fair value, which may be cost, as reasonably determined by the BDC Manager in its sole discretion.

3.04 Limitation on Allocations. Any Net Losses or items of loss or deduction allocated to a Shareholder pursuant to this *Article III* shall not exceed the maximum amount of such items that can be allocated without causing the Shareholder to have a negative Capital Account balance, after giving effect to the following adjustments: (a) debit to such Capital Account balance the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6), and (b) credit to such Capital Account balance the sum of (i) the amount that the Shareholder is obligated to restore to the capital of the BDC, and (ii) the amount that the Shareholder is deemed to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(1) and (2). The BDC shall allocate all Net Losses or items of loss or deduction in excess of the limitations set forth in this *Section 3.04* first to any BDC Investors to whom the limitation in the preceding sentence does not apply, in proportion to their respective Allocation Percentages. Any Net Losses that the BDC cannot allocate to any Shareholder as a result of the limitation set forth in the first sentence of this *Section 3.04* shall be allocated to the BDC Manager.

3.05 Qualified Income Offset. In the event that any Shareholder unexpectedly receives any adjustments, allocations or distributions described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6) that cause a deficit balance in such Stockholder’s Capital Account, the BDC shall allocate items of BDC income and gain to that Shareholder in an amount and manner sufficient to eliminate the deficit balance as quickly as possible, *provided that* the BDC shall make an allocation pursuant to this *Section 3.05* only if and to the extent that a Shareholder would have a deficit Capital Account balance after the BDC makes all other allocations provided for in this *Article III* as if this *Section 3.05* were not in the Agreement. For purposes of any allocation pursuant to the preceding sentence, in determining any deficit balance in a Stockholder’s Capital Account, the BDC shall (a) reduce the Stockholder’s Capital Account by expected adjustments, allocations or distributions described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), and (b) increase the Stockholder’s Capital Account by any amount that the Shareholder must restore to the deficit balance of his Capital

Account or that Regulations Section 1.704-1(b)(2)(ii)(c) deems the Shareholder to restore to the deficit balance of his Capital Account.

3.06 Gross Income. In the event that any Shareholder has a deficit balance in its Capital Account as of the end of any Fiscal Year in excess of the sum of the amount such Shareholder is obligated to restore to the capital of the BDC pursuant to any provision of this Agreement, or that such Shareholder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(1) and (2), then the BDC shall allocate to each such Shareholder items of income and gain for such Fiscal Year and subsequent Fiscal Years, if necessary, in an amount and manner sufficient to eliminate as quickly as possible such Capital Account deficit. The BDC shall make an allocation pursuant to this *Section 3.06* if and only to the extent that such Shareholder would have such an excess deficit balance in its Capital Account after the BDC tentatively has made all other allocations pursuant to this *Article III* as if *Section 3.05* and this *Section 3.06* were not in this Agreement.

3.07 Section 754 Adjustments. To the extent that the BDC makes an election pursuant to Code Section 754 and *Section 7.06* hereof, the amount of any adjustment to the adjusted tax basis of any BDC asset pursuant to Code Section 734(b) or 743(b) that is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) and the gain or loss shall be specially allocated to the Investors in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Regulations section.

3.08 Curative Allocations. The BDC intends that any allocations made pursuant to the last sentence of *Section 3.04* or pursuant to *Section 3.05*, *Section 3.06* or *Section 3.07* (collectively, “**Regulatory Allocations**”) comply with certain requirements of the Regulations. The BDC also intends that, to the extent possible, the BDC offset all Regulatory Allocations either with other Regulatory Allocations or with special allocations pursuant to this *Section 3.08*. Therefore, notwithstanding any other provisions of this *Article III* (other than the Regulatory Allocations), the BDC shall make such offsetting special allocations in whatever manner it determines appropriate so that, after it makes the offsetting allocations, each Stockholder’s Capital Account balance is, to the extent possible, equal to the Capital Account balance the Shareholder would have had if the Regulatory Allocations were not part of the Agreement and the BDC allocated all items pursuant to the remaining Sections of this *Article III*.

3.09 Priority of Allocations. The BDC shall make the allocations pursuant to *Section 3.02* through *Section 3.08* in the following order and priority: (a) first, the BDC shall make the Regulatory Allocations in the order and priority in which they appear in this Agreement; and (b) next, the BDC shall make the allocations pursuant to *Section 3.02* through *Section 3.03*.

3.10 Contributed and Revalued Property. For Federal income tax purposes, any income, gain, loss or deduction with respect to property contributed by a Shareholder to the BDC that has a fair market value different from its adjusted basis for Federal income tax purposes shall be allocated among the Investors in accordance with Code Section 704(c) and the Regulations Section 1.704-3, using any method prescribed in Regulations Section 1.704-3 determined by the BDC Manager. With respect to any BDC asset that is revalued pursuant to the terms hereof, subsequent allocations of income, gain, loss and deduction with respect to the asset shall take into account any variation between the adjusted basis of such asset for Federal income tax purposes and its fair market value at the time of revaluation in the same manner as under Code Section 704(c) and Regulations Section 1.704-3, using any method prescribed therein as determined by the BDC Manager.

3.11 Varying BDC Interest. In the event of the transfer of a BDC Interest during a Fiscal Year, or in the event that a Stockholder’s percentage interest changes during a Fiscal Year, the Net Profits, Net Losses or items of income, gain, loss or deduction allocated for the Fiscal Year during which the transfer occurs shall (a) be prorated between the transferor and transferee as of the date of the transfer, or (b) be prorated between the portion of the Fiscal Year prior to the change in percentage interest and the portion of the Fiscal Year after the change, using any method that the BDC determines in good faith reasonably and fairly represents the portion of the Net Profits, Net Losses or items of income, gain, loss and deduction properly allocable to the Investors.

3.12 Tax Items. Except as otherwise provided herein, any allocation to a Shareholder of a portion of the Net Profits, Net Losses or items of income, gain, loss or deduction for a Fiscal Year shall be deemed to be an allocation to that Shareholder of the same proportionate part of each item of income, gain, loss, deduction or credit that is earned, realized

or available by or to the BDC for Federal income tax purposes. In addition, all items of gain or loss recognized from the sale, exchange or other disposition of Securities (including closing a position or determining a security worthless) in any tax period will generally be allocated among the Investors, so that to the extent possible, consistent with a fair allocation of such items of gain or loss among all of the Investors, each Stockholder's gain or loss for tax purposes is equal to the amount of gain or loss allocated to his Capital Account in respect of such transactions.

3.13 Stuffing Provision. As of the close of each Fiscal Year, the capital gains and capital losses of the BDC shall be allocated to the Stockholder's Capital Account so as to minimize, to the extent possible, any disparity between the "book" Capital Account and the "tax" Capital Account, consistent with the principles set forth in section 704 of the Code. To the extent permitted by the Treasury Regulations (or successor regulations) in effect under Code Sections 704(b) and 704(c), allocations of capital gain that have been realized up to the time a Capital Account was completely withdrawn may be allocated first to each Capital Account that was completely withdrawn during the applicable Fiscal Year to the extent that the "book" Capital Account as of the Distribution Date exceeds the "tax" Capital Account at that time, and allocations of capital loss that have been realized up to the time a Capital Account is completely withdrawn may be allocated first to each Capital Account that was completely withdrawn during the applicable Fiscal Year to the extent that the "tax" Capital Account as of the Distribution Date exceeded the "book" Capital Account of such Capital Account at that time. Notwithstanding anything herein to the contrary, capital gain or capital loss recognized with respect to Securities contributed to the BDC, if any, shall be specifically allocated to the contributing Shareholder in the amount and manner required by Code Section 704(c) and the regulations thereunder, and, to the extent so allocated, shall be excluded from the computation of the BDC's capital gain or capital loss, as applicable, for the relevant fiscal year.

#### **ARTICLE IV – DISTRIBUTIONS OF CASH FLOWS; WITHDRAWALS**

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##### 4.01 Withdrawals of BDC Investors' Capital Account.

(a) BDC Investors may not voluntarily withdraw any capital from the BDC. In certain circumstances, however, a Shareholder may be required to withdraw from the BDC if the BDC Manager reasonably determines, in its sole discretion, that such Stockholder's continued participation in the BDC would result in a violation of the applicable laws or could otherwise be expected to have a material adverse effect on the BDC and/or the BDC Manager. Notwithstanding the foregoing, following the first sixty (60) months of the BDC's operations (the "**Lock-Up Period**"), the BDC will generally permit redemption to each Shareholder of the net cash proceeds reallocated to such Stockholder's Capital Account upon the occurrence of a Realization Event with respect to each Side Pocket Investment (net of any accrued Management Fee and Carried Interest, if any; such amount, the "**Distribution Proceeds**"), subject to the capital needs of the BDC as determined by the BDC Manager in its sole discretion. A Shareholder will be generally permitted to request available Distribution Proceeds from its Capital Account as of the last business day of the calendar month immediately following the month in which the Shareholder received notice that the underlying Realization Event occurred, or such other date as the BDC Manager may determine in its discretion (each such date, a "**Distribution Date**") provided that the BDC receives at least thirty (30) days written notice of such distribution date prior to the applicable Distribution Date. The BDC Manager will notify each Shareholder in writing of each occurrence of a Realization Event.

(b) Payments of Distribution Proceeds are generally made within thirty (30) days of the effective Distribution Date; however, in the event a Shareholder withdraws 90% or more of the BDCs from such Stockholder's Capital Account (or if a distribution, when combined with all other distributions effected by such Shareholder during the preceding twelve (12) months, would result in such Shareholder having withdrawn 90% or more of its Capital Account during such period), a portion (generally not to exceed five percent (5%)) of the Distribution Proceeds will be retained in the BDC Manager's discretion pending completion of the annual audit of the BDC's financial statements for the fiscal year in which the distribution occurs. A Shareholder shall not be entitled to interest on the amount of any retained Distribution Proceeds. Payment of any amounts in respect of a withdrawal pursuant to this *Section 4.01(b)* shall be net of any accrued but unpaid Management Fee and, if applicable, any earned Carried Interest on the withdrawn portion of the applicable Stockholder's Capital Account.

(c) The BDC Manager may in its sole discretion require or permit any Shareholder, for any reason or no reason and at any time, with or without notice, to effect a complete or partial withdrawal of amounts contained in his Capital Account in accordance with the procedures outlined in this *Section 4.01* except that in such case (i) any dollar limitations may be waived by the BDC Manager and (ii) the BDC Manager may, in its sole and absolute discretion, distribute to such Shareholder up to one hundred percent (100%) of his or her Capital Account at any time prior to the

date on which that Shareholder would have been entitled to receive such a distribution had the Shareholder properly requested such a complete withdrawal. The undistributed remainder, if any, of such a Capital Account shall be distributed pursuant to the provisions of *Section 4.01(b)*.

(d) Any Shareholder who effects a withdrawal during a Fiscal Year shall be obligated upon notice by the BDC Manager to reimburse the BDC in Cash or immediately available BDCs for any overpayment made pursuant to such withdrawal, as determined after completion of the annual accounting of the BDC's books for that Fiscal Year and after any adjustments to the Capital Accounts of the Investors as are necessary in light of accounting; *provided, however*, that such reimbursement shall be required only to the extent that the overpayment exceeded the aggregate of any amount retained by the BDC and any balance remaining in such Stockholder's Capital Account at the time of such determination. Any obligation of a Shareholder arising under the provisions of this section to reimburse the BDC for an overpayment shall terminate unless notice of the amount of the overpayment and a reasonable explanation of the calculation of such overpayment amount has been given on or before the thirtieth (30th) day following completion of the audit of the BDC's annual financial statements for the Fiscal Year in which the subject withdrawal was made. In the event that proper reimbursement has not been received by the BDC within thirty (30) days after proper notice, the amount of an overpayment shall begin to bear interest payable to the BDC beginning as of the date that proper notice of the overpayment has been given, with the rate of interest equal to the greater of (i) 10% per annum compounded Quarterly or (ii) the prime rate announced by the Wall Street Journal, as of the date of such proper notice plus two percent (2.0%), compounded Quarterly and readjusted and re-amortized at the beginning of the next calendar month thereafter.

(e) At the discretion of the BDC Manager, any withdrawal by a Shareholder may be subject to a charge, as the BDC Manager may reasonably require, in order to defray the costs and expenses of the BDC in connection with such withdrawal including, without limitation, any charges or fees imposed by any BDC investment in connection with a corresponding withdrawal or redemption by the BDC from such investment or any other costs associated with the sale of any of the BDC's portfolio investments.

(f) A Shareholder may not withdraw any of its interest in a Side Pocket Investment Account until such time as a Realization Event has occurred with respect to the relevant Side Pocket Investment. At such time as a Realization Event occurs with respect to a Side Pocket Investment in which a Shareholder who has otherwise withdrawn its entire Capital Account has an interest, 95% of such Stockholder's share of the proceeds thereof (determined in accordance with *Section 3.03(d)* hereof, net of any accrued but unpaid Management Fee pursuant to *Section 5.06(a)* hereof and any Carried Interest) shall be distributed to such Shareholder within 30 days after receipt thereof by the BDC, with the remainder to be distributed to such Shareholder promptly following completion of the annual audit of the BDC's financial statements for the Fiscal Year in which such Realization Event occurred.

#### 4.02 Withdrawals of BDC Manager's Capital Account.

(a) Except as set forth elsewhere in this *Section 4.02*, the BDC Manager shall have the same withdrawal rights as a Shareholder.

(b) If the BDC Manager provides a notice of resignation pursuant to paragraph (a) above or is disqualified pursuant to *Section 4.06* hereof, the BDC shall dissolve and thereafter conduct only those activities necessary to wind up its affairs in accordance with the provisions of *Article IX* hereof, unless within 90 days after receipt of notice of such resignation or disqualification BDC Investors representing a majority of the Allocation Percentages of all BDC Investors vote to continue the BDC and in connection therewith appoint a successor BDC Manager. For the avoidance of doubt, if no successor BDC Manager is appointed and the BDC dissolves, all unsatisfied withdrawal requests and pending distributions shall be postponed until the completion of the winding up of the BDC and a final accounting pursuant to *Article IX*.

(c) If the BDC Investors appoint a successor BDC Manager in accordance with paragraph (b) above, the BDC shall pay to the BDC Manager or its legal representatives the BDC Manager's ending Capital Account balance (after computation of any applicable Carried Interest) within 30 days of the appointment of such successor BDC Manager (and the date of such appointment shall be deemed the end of an Accounting Period for all purposes under this Agreement); *provided, however*, that a portion (generally not to exceed 5%) of the withdrawal payment will be retained pending completion of the audit of the BDC's annual financial statements for the Fiscal Year in which the appointment of such successor BDC Manager occurs.

(d) Notwithstanding the foregoing, this *Section 4.02* shall not apply in the event that, after a withdrawal of the BDC Manager pursuant to paragraph (a) above or the disqualification of the BDC Manager pursuant to *Section 4.06*, the BDC Manager is succeeded by an affiliate of the BDC Manager pursuant to *Section 2.01(b)* or its Interest is transferred in a transaction that does not require the consent of the BDC Investors pursuant to *Section 8.05* hereof.

4.03 Limitations on Withdrawals. The BDC Manager may suspend the right of withdrawal or postpone the date of payment for any period during which (i) any stock exchange or over-the-counter market on which a substantial part of the Securities owned by the BDC are traded is closed, (other than weekend or holiday closings) or trading on any such exchange or market is restricted or suspended, (ii) there exists a state of affairs that constitutes a state of emergency, as a result of which disposal of the Securities owned by the BDC is not reasonably practicable or it is not reasonably practicable to determine fairly the value of its assets, (iii) a breakdown occurs in any of the means normally employed in ascertaining the value of a substantial part of the assets of the BDC or when for any other reason the value of such assets cannot reasonably be ascertained, (iv) a delay is reasonably necessary, as determined in the reasonable discretion of the BDC Manager, in order to effectuate an orderly liquidation of the BDC's investments in a manner that does not have a material adverse impact on the BDC or the non-withdrawing BDC Investors, or (v) in such other extraordinary circumstances as determined in good faith by the BDC Manager. At the conclusion of such period, the BDC Manager shall resume permitting withdrawals otherwise permitted pursuant to this *Article IV* and shall resume any payments pursuant to such withdrawals as soon as reasonably practicable.

4.04 Distributions. Except as otherwise set forth in this *Article IV*, a Shareholder who has satisfied the applicable notice requirements set forth herein with respect to withdrawal requests shall receive a distribution (or distributions) in Cash in accordance with the provisions of *Section 4.01(b)*.

4.05 Withholding from Distributions. The BDC Manager may establish reserves for expenses, liabilities or contingencies (including those not addressed by GAAP) arising from events occurring during the period of time during which a withdrawing Shareholder was a Shareholder of the BDC including, without limitation, contingent liabilities relating to pending or anticipated litigation, IRS audits or other governmental proceedings, which could reduce the amount of a distribution upon withdrawal. All amounts withheld pursuant to the Code or any provision of any state or local tax law with respect to any payment, distribution or allocation to the BDC or to the Investors shall be treated as amounts distributed to the Investors pursuant to this *Article IV* for all purposes of the Agreement. The BDC is authorized to withhold from distributions, or with respect to allocations, to the Investors and to pay over to any federal, state or local government any amount required to be withheld pursuant to the Code or any provisions of any other federal, state or local law and may allocate any such amounts among the Investors in any manner that is in accordance with applicable law. If there are any assets that, in the judgment of the BDC Manager, cannot be valued properly until sold or realized or cannot be sold without sacrificing a substantial portion of the value thereof, such assets may be excluded from the valuation of assets for purposes of computing the amount available for distribution to a Shareholder upon withdrawal of any portion of its Capital Account pursuant to this *Article IV*. Any Stockholder's *pro rata* interest in such assets shall not be paid until such time as the BDC Manager, in its sole and absolute discretion, determines that circumstances no longer require such assets to be so excluded (in whole or in part). If there is any contingent liability of the BDC or any pending transaction or claim by the BDC as to which the withdrawing Stockholder's share of such liability or claim cannot, in the judgment of the BDC Manager, then be determined, the probable loss or liability, or value of the claim, as the case may be, may be excluded from the valuation of assets or liabilities for purposes of computing the amount owing to any Shareholder upon its withdrawal pursuant to this *Article IV*. No amount shall be paid or charged to any such Stockholder's Capital Account on account of any such contingency, transaction or claim until its final settlement or such earlier time as the BDC Manager shall determine. The BDC may retain from sums otherwise due such Shareholder an amount that the BDC Manager estimates to be sufficient to cover the share of such Shareholder of any probable loss or liability on account of such contingency, or the probable value of the transaction or claim. Any amount so withheld from a Shareholder shall be held in a segregated interest-bearing account (which may be commingled with similar accounts of other Investors). Any unused portion of such reserve shall be distributed with interest accrued thereon once the BDC Manager has determined that the need therefor has ceased. Upon determination by the BDC Manager that circumstances no longer require the exclusion of assets or retention of sums as provided in this *Section 4.05*, the BDC Manager shall, at the earliest practicable time, pay such sums or the proceeds realized from the sale of such assets to each Shareholder from whom such sums or assets have been withheld.



#### 4.06 Disqualification.

(a) For the purposes of this Agreement, a Shareholder shall be deemed to be “disqualified” upon the occurrence of any of the following events:

- (i) If the Shareholder is a natural person, upon his death, his adjudication as an incompetent, his becoming bankrupt or adjudicated insolvent, or his making an assignment for the benefit of creditors; or
- (ii) If the Shareholder is not a natural person, upon its voluntary dissolution or liquidation, its bankruptcy or adjudication of insolvency, its making an assignment for the benefit of creditors, or its becoming subject to involuntary reorganization or liquidation proceedings and such proceedings not being dismissed within ninety (90) days after filing.

(b) Neither the withdrawal nor the disqualification of a Shareholder shall dissolve the BDC. Upon the disqualification of a Shareholder, the successor-in-interest of the Shareholder shall become a transferee of the Shareholder and be credited or paid, or charged with, as the case may be, all further allocations and distributions on account of the Interest of the disqualified Shareholder; *provided*, no such successor-in-interest shall become a substituted Shareholder without first obtaining the written consent of the BDC Manager, whose consent may be withheld for any or no reason, and without complying with the provisions of *Section 8.02* hereof.

(c) The disqualification of the BDC Manager shall cause the dissolution of the BDC unless a successor BDC Manager is appointed in accordance with the terms of *Section 4.02* hereof. For purposes of this *Section 4.06(c)*, if any of the Principals becomes disqualified within the meaning of *Section 4.06(a)* above, the BDC Manager will be deemed to be disqualified as well.

4.07 Status of Withdrawn Shareholder. From and after the effective Distribution Date applicable to a Shareholder who has withdrawn all or any portion of its Capital Account, such Shareholder shall be deemed a creditor of the BDC with respect to the withdrawn portion after all adjustments to such Capital Account pursuant to *Article III* and any applicable limitations set forth in this *Article IV* to the extent that such withdrawn portion has not been distributed to such Shareholder pursuant to *Section 4.04* hereof. Such Shareholder shall thereafter be deemed a Shareholder only to the extent that such Shareholder withdraws less than all of its Capital Account and to the extent of its interest in any Side Pocket Investment Accounts.

### **ARTICLE V – POWERS, DUTIES AND RIGHTS OF BDC MANAGER**

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5.01 Management of the BDC. The assets, affairs and operations of the BDC shall be managed by the BDC Manager.

5.02 Powers of BDC Manager. All references herein to any action to be taken by the BDC shall mean action taken in the name of the BDC and on its behalf by the BDC Manager. Except as otherwise provided in this Agreement, the BDC Manager will have exclusive management and control of the business of the BDC and will (except as otherwise provided in any other agreements) make all decisions affecting the BDC and the BDC’s assets. In addition to the rights, powers, and authority granted elsewhere in this Agreement and by law, the BDC Manager will have the right, power, and authority to obligate and bind the BDC and, on behalf of and in the name of the BDC, to take any action of any kind and to do anything it deems necessary or advisable in pursuit of the BDC’s purposes, including, without limitation, the following:

(a) To purchase, hold, sell (including to “write” put and call options), sell short, lend, borrow or otherwise deal in Securities (on margin or otherwise), and in furtherance of the foregoing, to:

- (i) Exercise all rights, powers, privileges and other incidents of ownership with respect thereto (including, without limitation, voting rights with respect to Securities);
- (ii) Acquire a long or short position with respect to any Security and to make purchases or sales increasing, decreasing or liquidating such position, without any limitations as to the frequency of the fluctuation in such positions or as to the frequency of the changes in the nature of such positions;
- (iii) Enter into contracts for or in connection with investments in Securities;

- (iv) Liquidate Securities that have been distributed to the BDC in-kind;
- (v) Engage in repurchase agreements, swap transactions and transactions involving structured or derivative instruments; and
- (vi) Delegate the authority to engage in such activities as to some or all of the BDC's assets to one or more investment managers, and to pursue such activities through investment in one or more pooled investment vehicles;

(b) To borrow on behalf of the BDC and to pledge and hypothecate Securities and other assets of the BDC for such loans, and to lend (with or without security) any Securities or other assets of the BDC;

(c) To open, maintain, conduct, and close accounts, including margin accounts with broker-dealers, futures commission merchants, and with banks or other custodians for BDC assets, each as selected by the BDC Manager, and to draw checks or other orders for the payment of money by the BDC, and in furtherance of the foregoing, to:

- (i) Issue instructions and authorizations to broker-dealers regarding Securities and/or money held in accounts of the BDC with such broker-dealers;
- (ii) Enter into prime broker agreements, clearing agreements, custodial agreements, margin account agreements and agreements with executing brokers and futures commission merchants;
- (iii) Pay or authorize the payment and reimbursement of brokerage commissions (or in the case of riskless principal transactions, spreads) that may be in excess of the lowest (or smallest spreads) available that are paid to broker-dealers who execute transactions for the account of the BDC and who (a) supply, or pay for (or rebate a portion of the BDC's brokerage commissions to the BDC for payment of) the cost of brokerage, research or execution services utilized by the BDC or the Other Accounts (as defined below) and/or (b) "step out" of a portion of the transaction in favor of a broker-dealer that has provided or is willing to provide research or execution products or services; *provided that* the BDC Manager considers, among other things and without limitation, in selecting a broker-dealer (that may be of benefit to the BDC, the BDC Manager and the Affiliated Persons (as defined below), and the Other Accounts): (i) commission rates, (ii) historical net prices (after mark-ups, mark-downs or other transaction-related compensation) on other transactions, (iii) execution, clearance and settlement capabilities, (iv) willingness to commit capital, (v) reliability, responsiveness and financial stability, (vi) size of the transaction, (vii) availability of Securities to borrow for short sales, (viii) the value of any research provided, and (ix) other products and/or services provided by such broker-dealers to the BDC Manager and Affiliated Persons or the BDC, including, among other things, referral of prospective BDC Investors and payment of all or a portion of the BDC's or the BDC Manager's or the Affiliated Person's costs of operations (including, for example, supplies, salaries, employee benefits, telephone, office equipment, news wire and data processing charges, attorneys' and accountants' fees, office rent, travel and entertainment expenses related to the BDC Manager's or the BDC's business, quotation services, periodical subscription fees, and custody, record keeping and similar services);
- (iv) Combine purchase or sale orders on behalf of the BDC with orders for the Other Accounts and allocate Securities or other assets so purchased or sold, on an average-price basis or by any other method of fair allocation, among such accounts; and
- (v) Enter into arrangements with broker-dealers to open average price accounts wherein orders placed during a trading day are placed on behalf of the BDC and Other Accounts and are allocated among such accounts using an average price;

(d) To employ from time to time, at the expense of the BDC, persons required for the BDC's business, including portfolio managers or other managers to manage any asset of the BDC, accountants, attorneys, investment advisers, financial consultants, and others (who may be affiliated with the BDC Manager) on such terms and for such compensation as the BDC Manager determines to be reasonable; and to give receipts, releases, indemnities, and discharges

with respect to all of the foregoing and any matter incident thereto as the BDC Manager may deem advisable or appropriate;

(e) To engage in any transaction with the BDC Manager's affiliates to the extent permitted by applicable securities laws (including, without limitation, the ability to effect on behalf of the BDC any "agency cross transaction" (as contemplated in Rule 206(3)-2 under the Investment Advisers Act of 1940, as amended) through the BDC Manager or any affiliate of the BDC Manager that is registered as a broker or dealer);

(f) To purchase, from or through others, contracts of liability, casualty and other insurance which the BDC Manager deems advisable, appropriate or convenient for the protection of the Securities acquired by the BDC or other assets or affairs of the BDC or for any purpose convenient or beneficial to the BDC, including policies of insurance insuring the BDC Manager and/or the BDC against liabilities that may arise out of the BDC Manager's management of the BDC;

(g) To make all tax elections required or permitted to be made by the BDC, including elections under Section 754 of the Code;

(h) To file, conduct and defend legal proceedings of any form, including proceedings against Investors, and to compromise and settle any such proceedings, or any claims against any person, including claims against Investors, on whatever terms deemed appropriate by the BDC Manager;

(i) To admit BDC Investors or additional or successor BDC Managers to the BDC and to remove BDC Investors;

(j) To maintain for the conduct of the BDC's affairs one or more offices and in connection therewith rent or acquire office space, and do such other acts as the BDC Manager may deem necessary or advisable in connection with the maintenance and administration of the BDC;

(k) To waive or reduce, in whole or in part, any notice period, minimum amount requirement, or other limitation or restriction imposed on capital contributions or withdrawals of capital; waive, reduce or, by agreement with any Shareholder, otherwise vary any fee or special allocation to the BDC Manager, and/or any requirement imposed on that Shareholder by this Agreement. The BDC Manager will have such right, power and authority regardless of whether such notice period, minimum amount, limitation, restriction, fee, or special allocation, or the waiver or reduction thereof, operates for the benefit of the BDC, the BDC Manager or fewer than all the BDC Investors;

(l) To retain an investment manager affiliated with the BDC Manager or other persons, firms or entities selected by the BDC Manager to provide certain management and administrative services to the BDC and to cause the BDC to compensate such Persons for such services in accordance with the terms of investment management agreements pursuant to which such investment manager will have discretionary investment authority over the BDC's assets;

(m) To amend this Agreement in accordance with *Section 11.05*;

(n) To establish one or more Side Pocket Investment Accounts in connection with the BDC's Side Pocket Investments and to account for the gain, income, loss and items of expense with respect thereto separate from the other investments of the BDC in accordance with the provisions of this Agreement;

(o) To authorize any member, officer, employee or other agent of the BDC Manager to act for and on behalf of the BDC in all matters incidental to the foregoing; and

(p) To do any and all acts on behalf of the BDC as it may deem necessary or advisable in connection with, or incidental to the accomplishment of, the purposes of the BDC or the maintenance and administration thereof.

5.03 Consent of the Investors. Notwithstanding *Section 5.02* to the contrary, without the consent of all of the Investors, in no event shall the BDC Manager take any action outside the scope of the purposes of the BDC.

5.04 Duties of BDC Manager. Subject to the limitations in *Section 5.03*, the BDC Manager shall be charged with the full responsibility for managing and promoting the BDC's purpose and business. The BDC Manager shall devote its diligent efforts to the business and affairs of the BDC, including such time as shall be required, in the reasonable opinion of the BDC Manager, for the proper conduct of the business of the BDC. The BDC Manager shall not assign its duties under this Agreement except pursuant to the terms of *Section 8.05* hereof. The BDC Manager shall have authority

in its sole discretion to delegate any responsibilities hereunder to third parties with whom it contracts to provide services on behalf of the BDC. No such delegation shall relieve the BDC Manager from its duties or obligations hereunder.

5.05 Other Activities of the BDC Manager. The BDC Manager and its affiliates, shareholders, members, Investors, managers, directors, officers and employees (collectively, the “*Affiliated Persons*”) will only devote so much time to the affairs of the BDC as is reasonably required in the judgment of the BDC Manager. The Affiliated Persons will not be precluded from engaging directly or indirectly in any other business or other activity, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with Securities and other investments for their own accounts, for the accounts of family members, for the accounts of other BDCs and for the accounts of individual and institutional clients (collectively, “*Other Accounts*”). Such Other Accounts may have investment objectives or may implement investment strategies similar to those of the BDC. The Affiliated Persons may also have investments in certain of the Other Accounts. Each of the Affiliated Persons may give advice and take action in the performance of their duties to their Other Accounts that could differ from the timing and nature of action taken with respect to the BDC. The Affiliated Persons will have no obligation to purchase or sell for the BDC any investment that the Affiliated Persons purchase or sell, or recommend for purchase or sale, for their own accounts or for any of the Other Accounts. The BDC will not have any rights of first refusal, co-investment or other rights in respect of the investments made by Affiliated Persons for the Other Accounts, or in any fees, profits or other income earned or otherwise derived from them. If a determination is made that the BDC and one or more Other Accounts should purchase or sell the same investments at the same time, the Affiliated Persons will allocate these purchases and sales as is considered equitable to each. No Shareholder will, by reason of being a Shareholder of the BDC, have any right to participate in any manner in any profits or income earned or derived by or accruing to the Affiliated Persons from the conduct of any business or from any transaction in investments effected by the Affiliated Persons for any account other than that of the BDC.

5.06 Compensation and Reimbursement.

(a) A management fee (the “*Management Fee*”) is paid quarterly in arrears to the BDC Manager. The Management Fee is equal to 0.4375% (1.75% *per annum*) of the closing Capital Account balance of each Shareholder for such quarter, including, for this purpose, such Stockholder’s interest in all Side Pocket Investment Accounts as determined under *Section 3.03(d)*. The Management Fee will be appropriately prorated to reflect any capital contributions that occur during a quarter. The Capital Account of a Shareholder making a withdrawal other than the last day of a quarter (whether pursuant to ordinary withdrawal rights or where the special consent of the BDC Manager is required and, in its discretion, granted, in either case under *Article IV* of this Agreement) will be charged a *pro rata* portion of the Management Fee immediately prior to such withdrawal based on the number of days elapsed during such quarter and the portion withdrawn from such Capital Account. If a Shareholder has withdrawn all of its Capital Account except for its interest in one or more Side Pocket Investments, the Management Fee payable with respect to such Stockholder’s interest in each Side Pocket Investment will be accrued and, upon the occurrence of a Realization Event with respect to each such Side Pocket Investment, will be paid to the BDC Manager. The BDC Manager may, in its sole discretion, enter into arrangements with BDC Investors under which the Management Fee is reduced, waived or calculated differently with respect to such BDC Investors, including, without limitation, BDC Investors that are members, affiliates or employees of the BDC Manager, members of the immediate families of such persons and trusts or other entities for their benefit, or BDC Investors that make a substantial investment or otherwise are determined by the BDC Manager in its sole discretion to represent a strategic relationship.

(b) The BDC will bear (or reimburse the BDC Manager for) all expenses of the offering of Shares and organization of the BDC (including legal and other expenses) (“*Organizational Expenses*”). The Organizational Expenses will be amortized and charged to the Investors’ Capital Accounts on a Quarterly basis over a period of sixty (60) months. If the BDC is dissolved within sixty (60) months of the commencement of investment activities, any unamortized expenses will be recognized. The BDC shall pay for all ordinary operating and other expenses, including, but not limited to, investment-related expenses (*e.g.*, brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses, and investment banking expenses); research costs and expenses (including fees for news, quotation and similar information and pricing services); legal expenses (including, without limitation, the costs of on-going legal advice and services, blue sky filings and all costs and expenses related to or incurred in connection with the BDC Manager’s compliance obligations under applicable federal and/or state securities and investment adviser laws arising out of its relationship to the BDC, as well as extraordinary legal expenses,

such as those related to litigation or regulatory investigations or proceedings); the Management Fee; accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the BDC; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers and personnel of the BDC Manager; costs of printing and mailing reports and notices; and other similar expenses related to the BDC, as the BDC Manager determines in its sole discretion.

5.07 Reliance on Authority of BDC Manager. No Person dealing with the BDC Manager or the BDC shall be required to determine the authority of the BDC Manager to make any undertaking on behalf of the BDC or to determine any fact or circumstance bearing upon the existence of such authority. No purchaser of any property or interest owned by the BDC shall be required to determine the sole and exclusive authority of the BDC Manager to execute and deliver, on behalf of the BDC, any and all documents and instruments in connection therewith or to see to the application or distribution of revenues or proceeds paid or credited in connection therewith.

5.08 Limitation of Liability; Indemnification.

(a) The BDC Manager and each Affiliated Person shall not be liable, responsible nor accountable in damages or otherwise to the BDC or any Shareholder, or to any successor, assignee or transferee of the BDC or of any Shareholder, for (i) any acts performed or the omission to perform any acts, within the scope of the authority conferred on the BDC Manager by this Agreement, except by reason of acts or omissions found by a court of competent jurisdiction upon entry of a final non-appealable judgment to have been made in bad faith or to constitute fraud, willful misconduct or gross negligence; (ii) performance by the BDC Manager of, or the omission to perform, any acts on advice of legal counsel, accountants, or other professional advisors to the BDC; (iii) the negligence, dishonesty, bad faith, or other misconduct of any consultant, employee, or agent of the BDC, including, without limitation, an Affiliated Person of the BDC Manager, selected or engaged by the BDC Manager with reasonable care and in good faith; or (iv) the negligence, dishonesty, bad faith, or other misconduct of any Person in which the BDC invests or with which the BDC participates as a Shareholder, joint venturer, or in another capacity, which was selected by the BDC Manager with reasonable care and in good faith. The BDC Manager and each Affiliated Person shall not be liable to the BDC or to any Shareholder, or any successors, assignees, or transferees of the BDC or any Shareholder, for any loss, damage, expense, or other liability due to any cause beyond its reasonable control, including, but not limited to, strikes, labor troubles, riots, fires, blowouts, tornadoes, floods, bank moratoria, trading suspensions on any exchange, acts of a public enemy, insurrections, acts of God, acts of terrorism, failures to carry out the provisions hereof due to prohibitions imposed by law, rules, or regulations promulgated by any governmental agency, or any demand or requisition by any government authority.

(b) To the fullest extent permitted by law, the BDC, in the BDC Manager's sole discretion, shall indemnify and hold harmless the BDC Manager and each Affiliated Person and the legal representatives of any of them (an "**Indemnified Party**"), from and against any loss, liability, damage, cost or expense suffered or sustained by an Indemnified Party by reason of (i) any acts, omissions or alleged acts or omissions arising out of or in connection with the BDC, this Agreement or any investment made or held by the BDC (including, without limitation, any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding, or claim), *provided that* such acts, omissions or alleged acts or omission upon which such actual or threatened action, proceeding or claim are based are not found by a court of competent jurisdiction upon entry of a final non-appealable judgment to have been made in bad faith or to constitute fraud, willful misconduct or gross negligence by such Indemnified Party, or (ii) any acts or omissions, or alleged acts or omissions, of any broker or agent of any Indemnified Party, *provided that* such broker or agent was selected, engaged or retained by the Indemnified Party in accordance with reasonable care.

(c) The BDC shall, in the sole discretion of the BDC Manager, advance to any Indemnified Party reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action or proceeding that arises out of such conduct. In the event that such an advance is made by the BDC, the Indemnified Party shall agree to reimburse the BDC for such fees, costs and expenses to the extent that it shall be determined that it was not entitled to indemnification under this *Section 5.08*.

(d) Notwithstanding any of the foregoing to the contrary, the provisions of this *Section 5.08* shall not be construed so as to provide for the indemnification of the BDC Manager or any Affiliated Person for any liability (including liability under federal or state securities laws which, under certain circumstances, impose liability even on persons that act

in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this *Section 5.08* to the fullest extent permitted by law.

## **ARTICLE VI – POWERS, RIGHTS AND OBLIGATIONS OF BDC INVESTORS**

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6.01 Powers and Rights. Except as expressly set forth herein, the BDC Investors shall not take part in, or interfere in any manner with, the conduct or control of the BDC business, or have any right or authority to act or sign for, or to obligate the BDC. The BDC Investors shall not at any time be entitled to withdraw all or any part of their contribution to the capital of the BDC except to the extent they are entitled to withdrawals pursuant to the provisions of *Article IV* hereof. Except as expressly set forth herein, the BDC Investors shall have no right to amend or terminate the BDC, or to appoint, select, vote for or remove the BDC Manager or its agents, or to otherwise participate in the business decisions of the BDC. The BDC Investors shall have no right to demand and receive any property other than Cash in return for their contributions, and, prior to the dissolution and liquidation of the BDC pursuant to *Article IX* hereof, their right to Cash shall be limited to the rights set forth in *Article IV* hereof.

6.02 BHCA Subject Persons. Notwithstanding any other provision of this Agreement to the contrary, solely for purposes of any provision of this Agreement that confers voting rights on the BDC Investors and any other provisions hereof regarding consents of or action by the BDC Investors, any BHCA Subject Person that shall have given the BDC a written notice to the BDC Manager of its election not to be treated as a BHCA Subject Person, and shall not thereafter have given the BDC a notice of revocation of such election, and that at any time has an Allocation Percentage in excess of four and nine-tenths percent (4.9%) of the aggregate Allocation Percentages of the BDC Investors entitled to participate in such voting or the giving of any consent or the taking of any action, shall be deemed to hold an Allocation Percentage of only four and nine-tenths percent of the aggregate Allocation Percentages of the BDC Investors (after giving effect to the limitations imposed by this *Article VI* on all such BDC Investors), and such Allocation Percentage in excess of said four and nine-tenths percent shall be deemed held by the BDC Investors who are not BHCA Subject Persons, *pro rata* in proportion to their respective Allocation Percentages; *provided that* this limitation shall not prohibit a Shareholder from voting or participating in giving or withholding consent or taking any action under any provision of the Agreement up to the full amount of its Allocation Percentage in situations where such Stockholder's vote or consent or action is of the type customarily provided by statute or stock exchange rules with regard to matters that would significantly and adversely affect the rights or preference of the affected Interest. The foregoing voting restriction shall continue to apply with respect to any assignee or other transferee of such BHCA Subject Person's BDC Interest; *provided, however,* that the foregoing voting restriction shall not continue to apply if the BDC Interest is transferred: (i) to the BDC; (ii) to the public in an offering registered under the Securities Act of 1933, as amended (the "*Securities Act*"); (iii) in a transaction pursuant to Rule 144 or Rule 144A under the Securities Act in which no person acquires more than two percent (2%) of the aggregate Capital Account balances of the BDC Investors; or (iv) in a single transaction to a third party who acquires at least a majority of the aggregate Capital Account balances of the BDC Investors without regard to the transfer of Shares to which such Capital Accounts relate.

## **ARTICLE VII – ACCOUNTING, BOOKS AND RECORDS; REPORTS TO INVESTORS**

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7.01 Accounting Methods. The BDC Manager shall prepare the accounting statements for the BDC on an accrual basis in accordance with GAAP (except to the extent the BDC's independent auditor determines that the amortization of the Organizational Expenses does not comply with GAAP), and shall be empowered to make any changes of accounting method that it shall deem advisable.

7.02 Books and Records. The BDC Manager shall keep or cause to be kept, at the BDC's expense, full, complete and accurate books of account and other records showing the assets, liabilities, costs, expenditures, receipts, Net Profits and Net Losses of the BDC, the respective Capital Accounts of the Investors and such other matters required by the Act. Such books of account shall be the property of the BDC, shall be kept in accordance with sound accounting principles and procedures consistently applied, and shall be open to the reasonable inspection and examination of the Investors or their duly authorized representatives upon notice to the BDC Manager. The books of account shall be maintained at the principal office of the BDC Manager or at the office of the BDC's accounting or administrative firm, as determined by the BDC Manager in its sole discretion. Notwithstanding the foregoing, however, the BDC Manager is not obligated to show any Investors records detailing the actual Securities trades placed by the BDC. Information regarding the BDC's trading and specific investments is proprietary.

7.03 Tax Matters Shareholder. The BDC Manager is hereby designated as the “tax matters partner,” pursuant to Code Section 6231 and the Regulations thereunder. The tax matters partner shall represent the BDC in all Federal income tax matters, and shall hire attorneys, accountants and other professionals at BDC expense, as it deems necessary to defend the positions taken by the BDC for Federal income tax purposes.

7.04 Reports to Investors. The BDC Manager will furnish audited financial statements to all BDC Investors within 90 days, or as soon thereafter as is reasonably practicable, following the conclusion of each Fiscal Year, although the BDC Manager may elect to postpone the first audit of the BDC’s annual financial statements until the completion of the Fiscal Year after the Fiscal Year in which the BDC commenced investment activities, in which case the initial audit will cover the applicable Fiscal Year as well as the partial “stub” year in which the BDC commenced operations. Financial statements will include a balance sheet or statement of financial condition, an income statement or statement of operations, and a cash flow statement. In addition, all BDC Investors will receive the information necessary to prepare federal and state income tax returns following the conclusion of such Fiscal Year as soon thereafter as is reasonably practical.

All BDC Investors will also receive unaudited performance reports and such other information as the BDC Manager determines on a quarterly basis. With regard to these reports, the BDC Manager is not required to provide information about specific investment transactions of the BDC.

7.05 Preparation of Reports. In the preparation of any reports required to be delivered pursuant to *Section 7.04*, Securities shall be valued at their Fair Market Value, and any change in such Fair Market Value (except to the extent attributable to a change in the Fair Market Value of Securities held in a Side Pocket Investment Account) shall be treated as an item of Net Profit or Net Loss. For reporting purposes, Securities held in a Side Pocket Investment Account shall be carried on the books of the BDC at the lesser of cost or book value unless the BDC Manager, in its sole discretion, determines that an alternative fair value should be used.

7.06 Adjustment of Tax Basis. In the event of a transfer of a BDC Interest in accordance with the terms of this Agreement, upon the request of any Shareholder, the BDC Manager shall cause the BDC to elect, pursuant to Section 754 of the Code (“*Section 754 Election*”), to adjust the basis of the BDC property if (a) the effect of such adjustment is to increase the adjusted basis of BDC property and (b) such requesting Shareholder agrees to bear any additional expense attributable to accounting and recordkeeping required as a result of the BDC’s Section 754 Election.

## **ARTICLE VIII –TRANSFER AND ASSIGNMENT OF STOCK**

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8.01 General Prohibition. No Shareholder shall assign, convey, sell, transfer, encumber or in any way alienate all or any part of his or her BDC Interest without the prior written consent of the BDC Manager, which consent may be withheld in the BDC Manager’s sole and absolute discretion.

8.02 Requirements upon Transfer. Any transfer of a BDC Interest permitted under *Section 8.01* hereof or any other provision of this Agreement shall be subject to the following:

(a) The permitted transferee shall have executed a written agreement, in form and substance reasonably satisfactory to the BDC Manager, to assume all of the duties and obligations of the transferor Shareholder under this Agreement and to be bound by and subject to all of the terms and conditions of this Agreement;

(b) The transferor Shareholder and the transferee shall have executed a written agreement, in form and substance reasonably satisfactory to the BDC Manager, to indemnify and hold the BDC and the Investors harmless from and against any liabilities, losses, costs and expenses arising out of the transfer, including, without limitation, any liability arising by reason of the violation of any securities laws of the United States, any State of the United States, or any foreign country;

(c) The transferor Shareholder has delivered to the BDC Manager an opinion of counsel reasonably acceptable to the BDC Manager that such transfer would not violate the Securities Act, as amended, or any blue sky laws (including any investor suitability standards);

(d) The transferor Shareholder demonstrates that such transfer, when added to the total of all other sales or exchanges of Shares within the preceding 12 months, would not result in the BDC being considered to have terminated within the meaning of Section 708 of the Code and that such transfer will not result in the BDC being treated as a publicly-traded BDC within the meaning of Section 7704 of the Code;

(e) The transferor Shareholder has demonstrated that such transfer will not cause the assets of the BDC to be “plan assets” for purposes of ERISA;

(f) The transferee shall have executed a power of attorney substantially identical to that contained in *Article X* hereof, and shall execute and swear to such other documents and instruments as the BDC Manager may deem necessary to effect the admission of the transferee as a Shareholder;

(g) The transferee shall have executed, in favor of the BDC and the BDC Manager, an instrument containing representations by such transferee substantially identical to the representations and investment qualifications of the Shareholder set forth in the Subscription Agreement;

(h) The transferee shall have paid the reasonable expenses incurred by the BDC in connection with the admission of the transferee to the BDC; and

(i) The transferee shall only effect a transfer on the first business day of any calendar month.

8.03 Unauthorized Transfer. Any purported transfer of a BDC Interest not expressly permitted by this *Article VIII* or consented to by the BDC Manager shall be null and void and of no effect whatsoever.

8.04 Interest of the Transferee. In the event that a Shareholder shall have obtained the consent of the BDC Manager to a transfer of all or a portion of its BDC Interest in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent that the Capital Account relates to the transferred Interest and to the transferor’s interest in all Side Pocket Investment Accounts.

8.05 BDC Manager Transfers. Without the approval of BDC Investors whose Allocation Percentages represent more than fifty percent (50%) of the aggregate Allocation Percentages of all BDC Investors on the relevant date of determination, the BDC Manager may not transfer its Interest as BDC Manager in the BDC; *provided however*, that the BDC Manager may transfer its Interest as BDC Manager without the consent of any Shareholder (i) to any entity controlled by, controlling or under common control with it or any of the Principals, or (ii) pursuant to a transaction not deemed to involve an “assignment” of this Agreement within the meaning of the Investment Advisers Act of 1940, as amended. In the case of any transfer pursuant to the preceding clauses (i) and (ii), the transferee shall be admitted to the BDC as a substitute BDC Manager, all references herein to the BDC Manager shall thereafter be deemed references to the transferee BDC Manager, and the BDC Manager will promptly notify the BDC Investors of any such transfer of its Interest.

## ARTICLE IX – DISSOLUTION OF BDC

9.01 Dissolution. The BDC shall be dissolved upon the expiration of the term of the BDC as set forth in *Section 1.04* hereof. In the event that the BDC is dissolved on a date other than the last day of a Fiscal Year, the date of such dissolution shall be deemed to be the last day of an Accounting Period for purposes of adjusting the Capital Accounts of the Investors. For purposes of distributing the assets of the BDC upon dissolution, the BDC Manager shall be entitled to a return, on a *pari passu* basis with the BDC Investors, of the amount standing to its credit in its Capital Account and, with respect to its share of profits, based upon its Allocation Percentage.

9.02 Winding Up and Distribution of Assets.

(a) Upon the dissolution of the BDC, the BDC shall continue in existence for a reasonable period of time for the purpose of winding up its affairs, and the BDC Manager (or any Liquidating Agent appointed pursuant to *Section 9.02(c)* below) shall wind up the BDC’s affairs and cause the sale of the BDC’s assets (except those to be distributed in kind or retained pursuant to *Section 9.03* below) as expediently as is practicable and prudent and in such manner as the BDC Manager or Liquidating Agent, in its sole discretion, determines appropriate to obtain the best prices. Nothing herein shall preclude a sale of any asset of the BDC to any Shareholder or affiliate of a Shareholder. Any property distributed in kind in the liquidation shall be valued at Fair Market Value in determining the amount distributed to Investors. Whether any assets of the BDC shall be liquidated through sale or shall be distributed to the Investors in kind shall be a matter left to the sole discretion of the BDC Manager or Liquidating Agent. The BDC Manager or Liquidating Agent shall conduct (or cause to be conducted) a full accounting of the assets and liabilities of the BDC and cause a balance sheet of the BDC to be prepared as of the date of dissolution and a profit and loss statement for the period commencing after the end of the preceding Accounting Period and ending on the date of dissolution, and such financial statements shall be furnished to all of the Investors.



(b) The proceeds of the sale of the BDC's property and assets, plus any unsold assets to be distributed in-kind, shall be distributed in the following order of priority:

- (i) Payment of the debts and liabilities of the BDC incurred in accordance with the terms of this Agreement, and payment of the expenses of liquidation;
- (ii) Setting up of reserves as set forth in *Section 9.03* below, as the BDC Manager or Liquidating Agent may deem reasonably necessary, for any contingent or unforeseen liabilities or obligations of the BDC or any obligation or liability not then due and payable; *provided*, any unspent balance of the reserves shall be distributed in the manner hereinafter provided when deemed reasonably prudent by the BDC Manager or Liquidating Agent;
- (iii) Payment, on a *pro rata* basis, of any loans from or debts incurred in accordance with the terms of this Agreement owed to Investors; and
- (iv) Payment to the Investors, on a *pro rata* basis, of the remaining positive balances of their Capital Accounts, adjusted to the date of payment as set forth in *Article III*.

(c) The BDC may, from time to time, enter into (and modify and terminate) agreements with a liquidating agent or trustee selected by the BDC Manager if the BDC Manager is unwilling to manage the winding up process or, in the event the BDC Manager is disqualified pursuant to *Section 4.02(b)* or otherwise is unable to manage the winding up process, such person as may be designated by BDC Investors holding more than 50% of the Allocation Percentages held by BDC Investors (in either such case, a "**Liquidating Agent**"), authorizing the Liquidating Agent to wind up the BDC's affairs; *provided that* the total compensation the BDC may become obligated to pay to such Liquidating Agent(s) during such winding up period will not exceed the aggregate amount of the Management Fee the BDC would otherwise pay the BDC Manager pursuant to *Section 5.06(a)* hereof during such winding up period.

(d) In the event that the BDC is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), the distributions made pursuant to this *Section 9.02* shall be made in compliance with 1.704-1(b)(2)(ii)(b)(2). In the event that the BDC is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), but the BDC has not dissolved pursuant to *Section 9.01* above, the BDC shall be deemed to distribute the BDC's property to the Investors, who shall be deemed to assume and take such property subject to the BDC's liabilities, all in accordance with the balances of their respective Capital Accounts. Immediately thereafter, the Investors shall be deemed to recontribute such property in kind to the BDC, who shall be deemed to assume and take such property subject to all such liabilities. Notwithstanding anything in this Agreement to the contrary, no Shareholder shall have any obligation to restore any negative or deficit balance in its Capital Account upon dissolution or liquidation of the BDC, or otherwise.

### 9.03 Reserves

(a) If there are any assets that, in the judgment of the BDC Manager or Liquidating Agent, cannot be valued properly until sold or realized or cannot be distributed properly in kind or cannot be sold without sacrificing a substantial portion of the value thereof, such assets may be excluded from the valuation of assets for purposes of computing the amount available for distribution upon dissolution and termination of the BDC pursuant to this *Article IX*. Any Stockholder's *pro rata* interest in such assets shall not be paid or distributed in kind to it until such time as the BDC Manager or Liquidating Agent, in its sole and absolute discretion, determines that circumstances no longer require such assets to be so excluded (in whole or in part).

(b) If there is any contingent liability of the BDC or any pending transaction or claim by the BDC the remaining value of which cannot, in the judgment of the BDC Manager or Liquidating Agent, then be determined, the probable loss or liability, or value of the claim, as the case may be, may be excluded from the valuation of assets or liabilities for purposes of computing the amount available for distribution upon dissolution and termination of the BDC pursuant to this *Article IX*. No amount shall be paid or charged to any such Stockholder's Capital Account on account of any such contingency, transaction or claim until its final settlement or such earlier time as the BDC Manager or Liquidating Agent shall determine. The BDC may retain from sums otherwise due each Shareholder an amount that the BDC Manager or Liquidating Agent estimates to be sufficient to cover the share of such Shareholder of any probable loss or liability on account of such contingency, or the probable value of the transaction or claim. Any amount so withheld from a Shareholder shall be held in a segregated interest-bearing account (which may be commingled with similar accounts of

other Investors). Any unused portion of such reserve shall be distributed with interest accrued thereon once the BDC Manager or Liquidating Agent has determined that the need therefor has ceased.

(c) Upon determination by the BDC Manager or Liquidating Agent that circumstances no longer require the exclusion of assets or retention of sums as provided in subsections (a) and (b) hereof, the BDC Manager or Liquidating Agent shall, at the earliest practicable time, pay such sums or distribute such assets or the proceeds realized from the sale of such assets to each Shareholder from whom such sums or assets have been withheld.

9.04 No Action for Dissolution. The Investors acknowledge that irreparable damage will be done to the BDC (on account of a premature liquidation of the BDC's assets, loss of goodwill and reputation, and other factors) if any Shareholder seeks to dissolve, terminate or liquidate the BDC by litigation or otherwise. The Investors further acknowledge that this Agreement has been drawn carefully to provide fair treatment of all parties and equitable payments in liquidation of the Shares of all Investors, and that the Investors entered into this Agreement with the intention that the BDC continue until dissolved and liquidated in accordance with the terms of this Agreement. Accordingly, each Shareholder hereby waives and renounces any right to dissolve, terminate or liquidate the BDC, or to obtain the appointment of a receiver or trustee to liquidate the BDC, except as specifically set forth in this Agreement.

9.05 No Further Claim. Each Shareholder shall look solely to the assets of the BDC for the return of its investment in the BDC (including capital contributions and loans from a Shareholder to the BDC), and no Shareholder shall have any liability or obligation to the BDC or to any other Shareholder to repay any unreturned capital contributions or loans made by any Shareholder to the BDC.

## **ARTICLE X – POWER OF ATTORNEY**

10.01 Grant and Scope of Power. Each Shareholder hereby irrevocably constitutes and appoints the BDC Manager as its true and lawful agent and attorney-in-fact, with full power of substitution, in its name, place and stead, to make, execute and acknowledge, swear to, record, publish and file:

- (a) Any agreement, document or instrument pertaining to the sale, transfer, conveyance or encumbrance of all or any portion of the property of the BDC in accordance with the terms of this Agreement;
- (b) Any document or instrument with respect to the BDC that may be required or permitted to be filed under the laws of any state or of the United States, or which the BDC Manager shall deem necessary, desirable or advisable to file; and
- (c) Any document that might be required to effectuate the dissolution, termination and liquidation of the BDC.

The foregoing power of attorney is coupled with an interest, shall be irrevocable and shall survive the death, incompetency, dissolution, merger, consolidation, bankruptcy or insolvency of each of the Investors. The Investors shall execute and deliver to the BDC Manager, within five (5) days after receipt of the BDC Manager's request therefor, such further designations, powers of attorney and other instruments as the BDC Manager reasonably deems necessary to carry out the purposes of this Agreement.

## **ARTICLE XI – MISCELLANEOUS**

11.01 Additional Documents. At any time and from time to time after the date of this Agreement, upon the request of the BDC Manager, the Investors shall do and perform, or cause to be done and performed, all such additional acts and deeds, and shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such additional instruments and documents, as may be required to best effectuate the purposes and intent of this Agreement.

11.02 Applicable Law. This Agreement shall be governed by, construed under, and enforced and interpreted in accordance with, the laws of the State of Delaware.

11.03 Jurisdiction. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties in the courts of the State of Florida, and each of the parties consents to the jurisdiction of such courts in any such action or proceeding and waives any objection to venue laid therein.

11.04 Notices. Any notices required by this Agreement shall be in writing and shall be deemed to have been duly given if (i) delivered in person, (ii) if mailed postage prepaid, by certified or registered mail with return receipt

requested, (iii) if transmitted by electronic mail, telex or facsimile, (iv) if sent by second day service by Federal Express or any other nationally recognized courier service, postage prepaid or (v) if sent by Federal Express or any other nationally recognized overnight courier service or overnight express U.S. Mail, postage prepaid, to the Shareholder at the address set forth below in its execution of this Agreement, or to such other address of which the BDC Manager subsequently shall have been notified in writing by such Shareholder. Notices personally delivered or transmitted by electronic mail, telex or facsimile shall be deemed to have been given on the date so delivered or transmitted. Notices mailed shall be deemed to have been given on the date three (3) business days after the date posted, notices sent in accordance with (iv) above shall be deemed to have been given on the date two business days after the date posted, and notices sent in accordance with (v) above shall be deemed to have been given the next business day after delivery to the courier service or U.S. Mail (in time for next day delivery).

11.05 Agreement; Amendments. This Agreement constitutes the entire agreement between the parties and supersedes any prior understanding or agreement among them respecting the subject matter hereof. There are no representations, arrangements, understandings or agreements, oral or written, among the parties hereto relating to the subject matter of this agreement, except those fully expressed herein. No change or modification of this Agreement or waiver of any provision hereof shall be valid or binding on the parties hereto, unless such change, modification or waiver shall be in writing and signed by or on behalf of the parties hereto, and no waiver on one occasion shall be deemed to be a waiver of the same or any other provision hereof in the future. Notwithstanding the foregoing sentence, amendments can be effected pursuant to the following conditions:

(a) Except as set forth elsewhere in this *Section 11.05*, this Agreement may be amended from time to time, in whole or in part, with the written consent of BDC Investors having in excess of 50% of the Capital Account balances then held by all BDC Investors (and the affirmative vote of the BDC Manager).

(b) The BDC Manager may, without the consent of the other BDC Investors, issue side letters to investors providing a materially different fee schedule and liquidity structure and may also amend this Agreement (i) to change the BDC's name, registered office or business office, (ii) to make a change that is necessary or, in the BDC Manager's opinion advisable, to qualify the BDC as a BDC (or other entity in which the BDC Investors have limited liability) under the laws of any state and/or to preserve the BDC's classification for federal tax purposes as a BDC that is not a "publicly traded BDC" treated as a corporation under Code Section 7704, (iii) to make any amendment hereof as long as such amendment does not adversely affect the BDC Investors in any material respect, (iv) to make any change that is necessary or desirable to satisfy any requirements, conditions, or guidelines contained in any opinion, directive, order, statute, ruling, or regulation of any federal or state entity applicable to the BDC or the BDC Manager, so long as such change is made in a manner that minimizes any adverse effect on the BDC Investors, (v) to prevent the BDC from, in any manner, being deemed an investment company subject to registration under the Investment Company Act, (vi) if the BDC is advised that any allocations of income, gain, loss or deduction provided herein are unlikely to be respected for Federal income tax purposes, to amend the allocation provisions hereof, on advice of legal counsel, to the minimum extent necessary to effect the plan of allocations and distributions provided herein, (vii) to create a new class or series of Shares, which shall have such rights (including voting rights), powers, duties and obligations, including the payment of fees and carried Shares, as the BDC Manager may specify, (viii) to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions contained herein, or (ix) to take such actions as may be necessary or appropriate to avoid the assets of the BDC being treated for any purpose of ERISA or Code Section 4975 as assets of any "employee benefit plan" as defined in and subject to ERISA or of any plan or account subject to Code Section 4975 (or any corresponding provisions of succeeding law) or to avoid the BDC Manager's engaging in a "prohibited transaction" as defined in Section 406 of ERISA or Code Section 4975(c).

(c) Nothing contained herein shall permit the amendment of this Agreement to reduce a Stockholder's Capital Account or Allocation Percentage, permit assessments on the BDC Investors or to increase the Management Fees or Carried Shares chargeable with respect to a Shareholder without the prior consent of the affected Shareholder(s); nor shall the following provisions hereof be amended without the consent of each of the BDC Investors adversely affected thereby and the BDC Manager: *Sections 2.06, 4.01, 5.08, 9.01* and this *Section 11.05*.

(d) Copies of each amendment of this Agreement (other than an amendment pursuant to paragraph (b)) shall be delivered to each Shareholder at least ten days prior to the effective date thereof; *provided that* any amendment that the BDC Manager determines is necessary or appropriate to prevent the BDC from being a publicly traded BDC treated as a corporation under Code Section 7704 shall be effective on the date provided in the instrument containing such amendment.

Amendments approved in accordance with this *Section 11.05* shall be binding on all BDC Investors, including any that did not vote to approve the same, except as set forth in *Section 11.05(c)*.

(e) BDC Investors shall have no right (i) to amend (except to the extent provided in *Section 11.05(a)*) or terminate this Agreement, (ii) to appoint, select, vote for, or remove the BDC Manager or its agents, or (iii) to exercise voting rights or otherwise participate in the BDC's management or business decisions or otherwise in connection with the BDC property.

11.06 Consent by Failure to Respond to Notice. In the event that the BDC Manager seeks in writing the consent or approval of BDC Investors for any purposes hereunder (including, without limitation, any amendment hereof pursuant to *Section 11.05*), a Shareholder to whom notice has been delivered shall be deemed to have consented to the matter, unless the BDC Manager receives, within the time period specified in such notice, a written response from such Shareholder indicating that the Shareholder does not consent to the proposed action or matter described in the initial notice.

11.07 Severability. If any portion of this Agreement is held illegal or unenforceable, the Investors hereby covenant and agree that such portion or portions are absolutely and completely severable from all other provisions of this Agreement and such other provisions shall constitute the agreement of the Investors with respect to the subject matter hereof.

11.08 Successors. Subject to the provisions hereof imposing limitations and conditions upon the transfer, sale or other disposition of the Shares of the Investors in the BDC, all the provisions hereof shall inure to the benefit of and be binding upon the heirs, successors, legal representatives and assigns of the parties hereto.

11.09 Counterparts. This Agreement may be executed in counterparts, each of which shall for all purposes be deemed an original, and all of such counterparts shall together constitute one and the same agreement.

11.10 Section Headings. Section and other headings contained in this Agreement are for reference purposes only and are in no way intended to define, interpret, describe or limit the scope, extent or intent of this Agreement or any provision hereof.

11.11 Time. Time is of the essence in this Agreement.

11.12 Pronouns. All pronouns used in this Agreement in reference to any Shareholder shall include the neuter, masculine and feminine genders and the singular and the plural, as the context requires.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

**BDC MANAGER:**

Capital Q Management LLC

By: /S/ Michael P Quatrini

Name: Michael Quatrini

Title: Managing Member

**BDC INVESTORS:**

Each person who shall sign an Investor Signature Page in the form attached in the Subscription Agreement and accepted to the BDC as a Shareholder

## Appendix A - Definitions

**“Accounting Period”** shall initially mean the period beginning on the effective date of the first capital contribution to the BDC and ending on the first to occur of the events set forth in (a) through (g) of this definition. Each subsequent Accounting Period shall commence immediately after the close of the preceding Accounting Period and will continue until the close of business on the earlier to occur of (a) the last business day of each calendar month, (b) the first business day immediately preceding the effective date of a capital contribution by a new or existing Shareholder, (c) a date on which one or more Investors effects a withdrawal from their Capital Accounts, (d) the date on which a Side Pocket Investment Account is established, (e) the date of the receipt of the investment proceeds in connection with a Realization Event with respect to a Side Pocket Investment by the BDC (or in the case of a “deemed” Realization Event where the applicable Side Pocket Investment is not liquidated, the date the BDC Manager makes such determination), (f) the date of the dissolution of the BDC, or (g) such other dates as the BDC Manager determines, in its sole discretion.

**“Act”** shall mean the Delaware Revised Uniform BDC Act, (6 Del. C. 17-101 et. seq.), including amendments from time to time.

**“Affiliated Persons”** shall have the meaning set forth in *Section 5.05*.

**“Allocation Percentage”** shall mean with respect to any Shareholder for any Accounting Period the quotient obtained by dividing (i) the Capital Account balance for such Shareholder as of the beginning of such Accounting Period (as determined pursuant to *Section 3.01*) by (ii) the Capital Account balance for all Investors as of the beginning of such Accounting Period (as determined pursuant to *Section 3.01*).

**“BHCA”** means the Bank Holding Company Act of 1956, as amended.

**“BHCA Subject Person”** shall mean any Shareholder that is subject, directly or indirectly, to the provisions of Section 4 of the BHCA and the regulations of the Board of Governors of the Federal Reserve System promulgated thereunder.

**“Capital Account”** shall mean, with respect to any Shareholder, the account established and maintained on the books of the BDC for such Shareholder, which shall be credited with the amount of such Stockholder’s capital contributions, and increased, or decreased, from time to time as provided in this Agreement.

**“Cash”** shall mean, with reference to the payment in cash of all or any part of a capital contribution or distribution, payment by check or by wire transfer of BDCs between banks or other financial institutions.

**“Certificate”** shall mean the certificate of BDC required to be filed pursuant to the Act.

**“Code”** shall mean the Internal Revenue Code of 1986, as amended.

**“ERISA”** shall mean the Employee Retirement Income Security Act of 1974, as amended.

**“Fair Market Value”** shall be determined by using the following methods. The Fair Market Value of Side Pocket Investments will generally be as reported in the most recent audited financial statements; *provided that*, where such audited financial statements are not available, the valuation will be determined by reference to the most recent unaudited performance report or account statement with respect to such Side Pocket Investments. Notwithstanding the foregoing, if the BDC Manager, in its sole discretion, determines that such reported values do not properly represent the Fair Market Value of such investments, the BDC Manager may determine the fair value thereof. The Fair Market Value of all other assets of the BDC will be established in accordance with the valuation procedures set forth below:

(a) Securities which are listed on one or more United States or foreign securities exchanges or are traded on a recognized over-the-counter market (including the NASDAQ), or for which market quotations are available shall be valued at their last reported sales price on the date of determination on the primary exchange or market on which such Securities are traded or, if no sale occurred on the valuation date, the value for long positions shall be the “last bid” and the value for short positions shall be the “last ask” (or, if on such date securities markets were closed, then the last preceding business day on which they were open).

(b) Securities in the form of options listed on a securities exchange will be valued at the last reported sales price on the date of determination on the primary exchange or market on which such Securities are traded or, if the last sales price does not fall between the “last bid” and “last ask” price for such options on such date, such options will be valued at the mean between “last bid” and “last ask” prices on the date of determination.

(c) Commodity future contracts will be valued at the most recent available closing quotation on the commodity exchange on which the commodity futures contract is traded by the BDC. Foreign currency exchange contracts will be valued at the current cost of covering or offsetting such contracts. Futures instruments will be valued at the settlement price on the exchange on which that futures interest is traded on the day the value is being determined. However, if a futures interest could not have been liquidated on that day because of the operation of daily limits or other rules of the exchange or otherwise, the settlement price on the first subsequent day on which the futures interest could be liquidated will be the market value of that futures interest for that day.

(d) Securities generally traded on an established securities market but for which no recorded sales information or quotations of bid and ask prices are available on such date (or, if applicable, the last preceding business day) shall be valued by the BDC Manager in good faith with reference to (i) the most recently reported bid and ask prices (in that order), (ii) bid and ask price information as of such date not generally reported but secured from a reputable broker or investment banker, and (iii) such other information as the BDC Manager believes in good faith is relevant.

(e) Securities not listed or traded on any exchange or on the over-the-counter market shall be valued based upon quotations obtained from independent market makers, dealers or pricing services, and if no such quotations are available, shall be considered as having no ascertainable market value and shall be valued at cost or fair value based on information available to the BDC Manager regarding the value or worthlessness of such Securities.

(f) For purposes of this definition, sales and bid and ask prices reported in newspapers of general circulation, or in electronic quotation systems or in standard financial periodicals or in the records of securities exchanges or other markets, any one or more of which may be selected by the BDC Manager, shall be accepted as evidence of the price of a Security.

(g) A Security purchased, and awaiting payment against delivery, shall be included for valuation purposes as a security held, and the cash account shall be adjusted by the deduction of the purchase price, including brokers' commissions or other expenses of the purchase.

(h) A Security sold but not delivered pending receipt of proceeds shall be valued at the net sales price.

(i) The BDC Manager may make adjustments to the value of Securities to best reflect Fair Market Value. All matters concerning the valuation of Securities, the allocation of profits, gains, and losses among the Investors, and accounting procedures not specifically and expressly provided for by the terms of this Agreement, shall be determined by the BDC Manager and shall be final and conclusive as to all of the Investors.

***"Fiscal Year"*** of the BDC shall be the calendar year; *provided, however*, that the first Fiscal Year shall commence on the date of this Agreement and shall end on the December 31 next following the date of this Agreement.

***"GAAP"*** means generally accepted accounting principles, consistently applied.

***"BDC Manager"*** shall mean Capital Q Management LLC, and shall also mean any Person who becomes BDC Manager pursuant to the provisions of *Section 4.02* and any Person who succeeds to all or a portion of the BDC Manager's Interest pursuant to *Section 8.05* of this Agreement.

***"Interest"*** shall mean, for each Shareholder, all rights and Shares of that Shareholder in the BDC in its capacity as a Shareholder together with any and all obligations imposed on it hereunder or under the Act.

***"BDC Investors"*** shall mean those persons whose Subscription Agreements to become a Shareholder shall have been accepted by the BDC Manager on behalf of the BDC, or anyone subsequently admitted as a Shareholder, but excluding any Shareholder who has withdrawn from the BDC or been removed from the BDC under *Article IV* hereof. Reference to a "Shareholder" shall mean any one of the BDC Investors.

***"BDC Interest"*** shall mean the Interest of each Shareholder.

***"Management Fee"*** shall have the meaning set forth in *Section 5.06(a)*.

***"Net Asset Value"*** means the net asset value of the assets of the BDC determined on the last day of an Accounting Period by:

(a) Adding:

- (i) the aggregate Fair Market Value of the BDC's investments (excluding Securities held in all Side Pocket Investment Accounts);
- (ii) the aggregate uninvested cash balances of the BDC (such cash balances being adjusted as required under the sub-sections (g) and (h) of the definition of "*Fair Market Value*"),
- (iii) the aggregate Fair Market Value of such assets as would generally be considered pre-payments of expenses to be amortized over future periods;
- (iv) the aggregate Fair Market Value of all dividends and distributions payable in cash, stock or other property received by the BDC and the face value of all notes and other receivables; and
- (v) the aggregate Fair Market Value of such other assets of the BDC as should be considered assets in accordance with GAAP (*provided that* the name and goodwill of the BDC shall not be included in calculating the Net Asset Value of the BDC).

(b) Deducting from the total sum obtained pursuant to sub-Section (a) above any liabilities and expenses due (including management fees payable for the current calendar quarter) in accordance with GAAP.

All amounts under sub-sections (a) and (b) above shall be stated in United States Dollars, with assets and liabilities denominated in currencies other than United States Dollars to be converted to United States Dollars at published exchange rates in effect on the last day of such Accounting Period. The resulting Net Asset Value at the end of such Accounting Period shall constitute the initial Net Asset Value for the subsequent Accounting Period after adjustment to reflect withdrawals pursuant to *Article IV* and additional capital contributions by Investors and the admission of new Investors pursuant to *Article II*. Whenever ratios or percentages are to be calculated based upon or relating to Investors' Capital Accounts, they shall be calculated to four decimal places with any adjustments resulting from rounding charged or credited to all of the Investors' Capital Accounts proportionally.

**"Net Capital Appreciation"** or **"Net Capital Depreciation"** shall mean, with regard to any Accounting Period, the difference between the Net Asset Value of the BDC at the beginning of the Accounting Period (after giving effect to withdrawals for the preceding Accounting Period and capital contributions for the current Accounting Period) and the Net Asset Value of the BDC at the close of the same Accounting Period (before giving effect to withdrawals for such Accounting Period). Any increase in the Net Asset Value shall be deemed Net Capital Appreciation and any decrease in Net Asset Value shall be deemed Net Capital Depreciation. For purposes of determining Net Capital Appreciation or Net Capital Depreciation for an Accounting Period ending on the date a Side Pocket Investment Account was created, the ending Net Asset Value of the BDC for such Accounting Period shall be determined prior to deducting the Original Value of the applicable Side Pocket Investment to which such Side Pocket Investment Account is related so that any Net Capital Appreciation or Net Capital Depreciation for such Accounting Period is not in any way attributable to (or increased or decreased by) any Side Pocket Investments.

**"Net Profit"** or **"Net Loss"** shall mean, with respect to any Shareholder for any Accounting Period, the difference between (i) the sum of (a) the Net Capital Appreciation, if any, allocated to a Stockholder's Capital Account for such Accounting Period pursuant to *Section 3.02(a)*, plus (b) the Net Realized Gain, if any, by which such Stockholder's Capital Account was increased for such Accounting Period pursuant to *Section 3.04(c)* in respect of Side Pocket Investment Accounts, and (ii) the sum of (a) the Net Capital Depreciation, if any, allocated to a Stockholder's Capital Account for such Accounting Period pursuant to *Section 3.02(a)*, plus (b) the Net Realized Loss, if any, by which such Stockholder's Capital Account was decreased for such Accounting Period pursuant to *Section 3.04(c)* in respect of Side Pocket Investment Accounts. Any positive difference between the sums set forth in clause (i) and clause (ii) above shall be deemed Net Profit, and any negative difference between such sums shall be deemed Net Loss.

**"Net Realized Gain"** or **"Net Realized Loss"** shall mean, with respect to any Accounting Period, (i) prior to the occurrence of a Realization Event with respect to a Side Pocket Investment, the difference between (a) any realized income with respect to such Side Pocket Investment and (b) any realized losses incurred, or other expenditures made, with respect to such Side Pocket Investment, and (ii) at such time as a Realization Event occurs with respect to a Side Pocket Investment, the difference between (a) the amount of cash and/or the Fair Market Value of the consideration received in connection with such Realization Event (or the Fair Market Value of the Securities held in the applicable Side Pocket

Investment Account, if such Realization Event is a “deemed” Realization Event), and (b) the Original Value of such Side Pocket Investment. In the case of either (i) or (ii) above, any positive difference between the amounts set forth in clause (a) and clause (b) above shall be deemed Net Realized Gain, and any negative difference between such sums shall be deemed Net Realized Loss.

“**Original Value**” shall have the meaning set forth in *Section 3.04(a)*.

“**Other Accounts**” shall have the meaning set forth in *Section 5.05*.

“**Investors**” shall mean, collectively, the BDC Manager and the BDC Investors, and reference to a “**Shareholder**” shall mean any one of the Investors.

“**Carried Interest**” shall have the meaning set forth in *Section 3.02(b)(ii)*.

“**Carried Interest Period**” shall mean each performance period over which the allocations provided for in *Section 3.02(b) and (c)* are measured.

“**Person**” shall mean an individual, BDC, joint venture, association, corporation, trust or any other legal entity.

“**Principals**” shall mean Larry Walker, Joe Alvarez, Griffin Valdes and Michael Quatrini.

“**Realization Event**” shall mean (i) a liquidation or disposition of a Side Pocket Investment for cash, (ii) an exchange of a Side Pocket Investment for marketable Securities that are not Side Pocket Investments, or (iii) at the discretion of the BDC Manager, a determination that such Side Pocket Investment should no longer be designated as such if market quotations have become readily available for Securities of the same class and series as the Securities that constitute the Side Pocket Investment or the occurrence of all events necessary to permit the BDC to make unrestricted public resales of such Securities in the principal market for which such quotations are available.

“**Regulations**” shall mean Treasury Regulations promulgated under the Code as such Regulations may be amended from time to time (including corresponding provisions of succeeding Regulations).

“**Securities**” shall mean securities and other financial instruments of United States and foreign entities, including, without limitation, capital stock; shares of beneficial interest; Stock and similar financial instruments; Shares in real estate and real estate related assets; bonds, notes and debentures (whether subordinated, convertible or otherwise); currencies; commodities; interest rate, currency, commodity, equity and other derivative products, including, without limitation, (i) futures contracts (and options thereon) relating to stock indices, currencies, United States Government securities and securities of foreign governments, other financial instruments and all other commodities, (ii) swaps, options, warrants, caps, collars, floors and forward rate agreements, (iii) spot and forward currency transactions and (iv) agreements relating to or securing such transactions; asset-backed and mortgage-backed obligations; loans; credit paper; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual BDCs; money market BDCs; obligations of the United States or any state thereof, foreign governments and instrumentalities of any of them; commercial paper; certificates of deposit; bankers' acceptances; trust receipts; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature; in each case, of any person, corporation, government or other entity whatsoever, whether or not publicly traded or readily marketable.

“**Side Pocket Investment**” shall mean an investment that the BDC Manager believes either lacks a readily assessable market value or should be held until the resolution of a special event or circumstances.

“**Side Pocket Investment Account**” shall have the meaning set forth in *Section 3.04(a)*.

“**Subscription Agreement**” means any subscription booklet, including a subscription agreement containing appropriate representations, warranties, acknowledgments, agreements, indemnifications, confirmations and reciting and evidencing such qualifications as are deemed necessary or appropriate in the BDC Manager’s discretion, prescribed by the BDC Manager as a condition precedent to becoming a Shareholder.



## Subscription Booklet

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IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BDC AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SHARES IN THE BDC HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE. THE OFFERING OF THE PARTNSHIP SHARES IS BEING MADE IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT FOR OFFERS AND SALES OF SECURITIES THAT DO NOT INVOLVE ANY PUBLIC OFFERING, AND ANALOGOUS EXEMPTIONS UNDER STATE SECURITIES LAWS.

THE SHARES IN THE COMPANY ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE BDC MANAGEMENT AGREEMENT, SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE RISKS OF AN INVESTMENT IN THE BDC FOR AN INDEFINITE PERIOD OF TIME.

If you decide not to participate in this offering, please return the Private Placement Memorandum, the BDC Management Agreement and this Subscription Booklet to CAPQ BDC Inc. c/o Capital Q Management, LLC, 100 East Faith Terrace, Suite 1016, Maitland, Florida 32751.

**REPRESENTATIONS BY EMPLOYEE BENEFIT PLANS**

The undersigned, on behalf of the subscribing employee benefit plan, represents that all of the obligations and requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"), including prudence and diversification, with respect to the investment of trust assets in CAPQ BDC INC., a Florida corporation (the "Corporation"), have been considered prior to subscribing for the Shareholder shares of the Corporation (the "Shares"). The person with investment discretion on behalf of the plan has consulted his attorney or other tax advisor with regard to whether the purchase of Shares might generate "unrelated business taxable income" under Section 512 of the Internal Revenue Code of 1986. By signing this representation letter, the trustee or custodian subscribing for the Shares assumes full responsibility for evaluating the appropriateness of the investment and represents that he has performed his duties with respect to the plan, solely in the interest of the participants of the plan, with the care, skill and diligence under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of a similar enterprise.

The Shares may not be purchased with the assets of an employee benefit plan if the Corporation or any affiliate of the Corporation either: (a) has investment discretion with respect to the investment of such plan assets; (b) has authority or responsibility to regularly give investment advice with respect to such plan assets, for a fee, and pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such plan assets and that such advice will be based on the particular investment needs of the plan; (c) has discretionary authority or discretionary responsibility for administration of a plan; or (d) are employers maintaining or contributing to such plan. Additionally, the Shares may not be purchased by an employee benefit plan that is not excluded by the foregoing unless, such plan is eligible for the exemption relief available under U.S. Department of Labor Prohibited Transaction Class Exemption 96-23,95-60,91-38,90-1 OR 84-14 or another applicable exemption or its purchase and holding of the Shares are not prohibited by Section 406 of ERISA or Section 4975 of the Internal Revenue Code. These restrictions are intended to prevent potential violations of certain provisions of ERISA. Each fiduciary who authorizes a purchase of the Shares by a plan must determine for itself whether such purchase would constitute a prohibited transaction.

ACCEPTANCE OF SUBSCRIPTIONS ON BEHALF OF AN EMPLOYEE BENEFIT PLAN IS IN NO RESPECT A REPRESENTATION BY THE CORPORATION THAT THIS INVESTMENT MEETS ALL RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY ANY PARTICULAR PLAN. THE CORPORATION RESERVES THE RIGHT TO REJECT THE SUBSCRIPTIONS OF ANY EMPLOYEE BENEFIT PLAN, IN ITS SOLE DISCRETION, IF IT BELIEVES THAT THE ACCEPTANCE OF ADDITIONAL EMPLOYEE BENEFIT PLAN SUBSCRIPTIONS MAY JEOPARDIZE THE STANDING OF THE CORPORATION UNDER APPLICABLE LAW, AS A PERMISSIBLE INVESTMENT BY EMPLOYEE BENEFIT PLANS.

Name of Plan:

By: \_\_\_\_\_  
(Trustee)

**REPRESENTATIONS BY IRAS**

Each IRA investor must determine for itself whether a purchase of the Shares would constitute a prohibited transaction and a violation of Section 4975 of the Internal Revenue Code.

ACCEPTANCE OF SUBSCRIPTIONS ON BEHALF OF AN IRA IS IN NO RESPECT A REPRESENTATION BY THE CORPORATION THAT THIS INVESTMENT MEETS ALL RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY ANY PARTICULAR IRA. THE CORPORATION RESERVES THE RIGHT TO REJECT THE SUBSCRIPTIONS OF ANY IRA, IN ITS SOLE DISCRETION, IF IT BELIEVES THAT THE ACCEPTANCE OF ADDITIONAL IRAS MAY JEOPARDIZE THE STANDING OF THE CORPORATION UNDER APPLICABLE LAW AS A PERMISSIBLE INVESTMENT BY EMPLOYEE BENEFIT PLANS.

\_\_\_\_\_  
Signature of Custodian (if applicable)

\_\_\_\_\_  
Signature of Investor

(SEAL)

\_\_\_\_\_  
Printed Name of Custodian (if applicable)

\_\_\_\_\_  
Name of Investor

# CAPQ BDC Inc d/b/a Capital Q<sup>®</sup> Business Development Company

## INVESTOR INSTRUCTIONS

Please follow these instructions carefully. Failure to do so could result in the rejection of your subscription.

PLEASE NOTE: We do not accept money orders, traveler's checks, starter checks, foreign checks, counter checks, third party checks or cash.

### 1 Investment

Generally, you must initially invest at least \$100,000.00 in our shares to be eligible to participate in this offering. In order to satisfy this minimum purchase requirement, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of \$10,000.00. You should note that an investment in our shares will not, in itself, create a retirement plan. To create a retirement plan, you must comply with all applicable provisions of IRS Regulations. If you have satisfied the applicable minimum purchase requirement, and additional purchase must be in increments of \$5000.00. The investment minimum of subsequent purchases does not apply to shares purchased pursuant to our Dividend reinvestment plan.

### 2 Account Type – Check One Box Only

Please check the appropriate box to indicate the account type of the subscription

### 3 Investor Information – Address

You must include a permanent street address even if you mailing address is a P.O. Box. If the investment is to be held by joint owners, you must provide the requested investor information for each joint owner.

Enter the name(s), mailing address and telephone numbers of the registered owner of the investment. Partnerships, corporations and other organizations should include the name of an individual to whom correspondence should be addressed; Non-resident aliens must also supply IRS form W-8BEN.

**PLEASE ATTACH A PHOTOCOPY OF A VALID GOVERNMENT-ISSUED PHOTO ID WHICH INCLUDES INVESTOR'S AND/OR JOINT-INVESTOR'S DATE OF BIRTH (e.g. driver's license, passport, etc.)**

### 4 Investor Information – SSN or TIN Required

All investors must complete the space provided for Taxpayer Identification number or social security number, By Signing in Section 9, you are certifying that this number is correct.

### 5 Custodian/Trustee Information (If applicable)

Please print the exact name(s) in which shares are to be registered. Including the trust/entity name, if applicable. If the account is a Custodial Account, include the name and taxpayer identification number of the investor and the custodian or trustee.

Make checks payable to the custodian and send ALL paperwork directly to the custodian.

If you wish to purchase shares through an IRA, and need an IRA account, Equity Trust Company has agreed to serve as IRA custodian for such purposes. CAPQ BDC Inc. will pay the first-year annual IRA maintenance fees of such accounts with Equity Trust Company. Thereafter, investors will be responsible for the annual IRA maintenance fees. Further information about custodial services is available through your broker or our Dealer Manager.

Complete this section if the registered owner of the investment will be a Custodian Plan or Trust

### 6 Dividend Information (Choose one or more of the following options)

PLEASE NOTE: If you elect to participate in the Dividend Reinvestment Plan, CAPQ BDC Inc. requests that if at any time there is a material change in your financial condition, including failure to meet the income and net worth standards imposed by your state of residence and as set forth in the Memorandum and the subscription agreement, you promptly notify CAPQ BDC Inc. in writing: CAPQ BDC Inc. 100 East Faith Terrace, Suite 1016, Maitland Florida 32751. This request in no way shifts the responsibility of CAPQ BDC Inc.'s sponsor, and participating broker-dealers and registered investment advisors recommending the purchase of shares in this offering, to make reasonable effort to determine that the purchase of shares in this offering is a suitable and appropriate investment, based on information provided by you.

Complete this section to elect to receive distributions by direct deposit and/or to elect to receive distributions by check. If you elect direct deposit, you must attach a voided check with this completed Subscription Agreement. (If you do not complete this section distributions will be paid to the registered owner at the address in Section 3. IRA accounts may not direct distributions without the custodian's approval.)

### 7 Broker-Dealer and Registered Representative Information

**PLEASE NOTE: The Broker-Dealer or Registered Investment Advisor must complete and sign this section of the Subscription Agreement. All Fields are Mandatory.**

**Required Representations:** By signing Section 7, the registered representative of the Broker-Dealer or Registered Investment Advisor confirms on behalf of the Broker-Dealer that he or she:

- has reasonable grounds to believe the information and representations concerning the investor identified herein are true, correct, and complete in all respects;

- has discussed the investor’s prospective purchase of shares with such investor;
- has advised such investor of all pertinent facts with regard to the lack of liquidity and marketability of the shares and other fundamental risks related to the investment in the shares, the restrictions on transfer of the shares and the risk that the investor could lose his or her entire investment in the shares;
- has delivered to the investor the Memorandum required to be delivered in connection with this subscription;
- has reasonable grounds to believe the investor is purchasing these shares for the account referenced in Section 4, and
- has reasonable grounds to believe the purchase of shares is a suitable investment for such investor, and such investor meets the suitability standards applicable to the investor set forth in the Memorandum and such investor is in a financial position to enable the investor to realize the benefits of such an investment and to suffer any loss that may occur with respect thereto. <sup>[§§]</sup>In addition, the registered representative of the Broker-Dealer or Registered Investment Advisor represents that he or she and the Broker-Dealer, (i) are duly licensed and may lawfully offer and sell the shares in the state where the investment was made and in the state designated as the investor’s legal residence in Section 3; and (ii) agree to maintain records of the information used to determine that an investment in shares is suitable and appropriate for the investor for a period of six years.

## 8 Electronic Delivery (Optional)

Instead of receiving paper copies of this Memorandum, our Memorandum supplements, annual reports, proxy statements, and other stockbroker communications and reports, you may elect to receive electronic delivery of Shareholder communications from CAPQ BDC Inc. If you would like to consent to electronic delivery, including pursuant electronic mail, please sign and return this election with your Subscription Agreement. By signing the Subscription Agreement in section 8, you acknowledge and agree that you will not receive paper copies of any Shareholder communications unless (i) you notify CAPQ BDC Inc. that you are revoking this election with respect to all Shareholder communications or (ii) you specifically request that CAPQ BDC Inc. send a paper copy of a particular Shareholder communications to you. CAPQ BDC Inc. has advised you that you have the right to revoke this election at any time and receive all Shareholder communications as paper copies through the mail. You also understand that you have the right to request a paper copy of any Shareholder communication. By electing electronic delivery, you understand that you may incur certain costs associated with spending time online and downloading and printing Shareholder communications and you may be required to download software to read documents delivered in electronic format. Electronic delivery also involves risks related to system or network outages that could impair your timely receipt of or access to Shareholder communications.

## 9 Suitability Questionnaire

Please refer to the Memorandum under “Sustainability and Accreditation Standards” to verify that you meet the minimum Suitability and Accreditation Standards.

Please separately initial each of the representations in paragraph (1) through (5) and initial (6) through (23) Questions (13) through (22) Check No or Yes for both the Investor or Joint-investor respectively. If you mark yes to any of the questions (13) through (21), please request a Supplemental Submission Questionnaire and attach it here.

Alabama residents must initial paragraph (23), Iowa residents must initial paragraph (24), Kansas residents must initial paragraph (25), Kentucky residents must initial paragraph (26), Maine residents must initial paragraph (27), Massachusetts residents must initial paragraph (28), Nebraska residents must initial paragraph (29), New Jersey residents must initial paragraph (30), New Mexico residents must initial paragraph (31), North Dakota residents must initial paragraph (32), Ohio residents must initial paragraph (33), Oklahoma residents must initial paragraph (34), Oregon residents must initial paragraph (35), Texas residents must initial paragraph (36). Except in the case of fiduciary accounts, you may not grant any person a power of attorney to make such representations on your behalf.

By signing this Subscription Agreement, you agree to provide the information in Section 9 of the agreement and confirm the information is true and correct. If we are unable to verify your identity or that of another person authorized to act on your behalf or if we believe we have identified potential criminal activity, we reserve the right to take action as we deem appropriate, including, but not limited to, closing your account or refusing to establish your account.

PLEASE NOTE: Only original, completed copies of the Subscription Agreement can be accepted. We cannot accept photocopied or otherwise duplicated Subscription Agreements. The subscription agreement, together with a wire transfer or check made payable to “CAPQ BDC Inc.” for the full purchase price,

## 10 Subscriber Signatures

should be delivered or mailed by your broker-dealer or registered investment advisor, as applicable, to:

<p><b>Regular Mail</b></p> <p>Investment Processing Department c/o Capital Q Management LLC 100 E Faith Terrace, Suite 1016 Maitland, Florida 32751</p>	<p><b>Overnight Mail</b></p> <p>Investment Processing Department c/o Capital Q Management LLC 100 E Faith Terrace, Suite 1016 Maitland, Florida 32751 Telephone: (407) 967-6408</p>	<p><b>Payments may be wired to:</b></p> <p>Capital Q Ventures Inc. c/o CAPQ BDC Inc. 100 E Faith Terrace, Suite 1016 Maitland, FL 32751 Telephone: (407) 967-6408</p> <p>TD Bank, N.A. 810 N Orlando Ave, Winter Park, FL 32789 ABA #: 067014822 Account #: 4366155723 Bank Telephone: 1-800-937-2000</p> <p><b>International Wire-transfers:</b> Correspondent Bank SWIFT Code: TDOMCATTOR Correspondent Bank: The Toronto Dominion Bank, 55 King Street West, Toronto, ON Canada M5k 1A2 Beneficiary Bank SWIFT Code: NRTHUS33XXX Beneficiary Bank: TD Bank, N.A. 1215 SE 17th Street, Fort Lauderdale, FL 33316-1705</p>
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# CAPQ BDC Inc d/b/a Capital Q Business Development Company

## 1 Investment

### SUBSCRIPTION AGREEMENT

Amount of Subscription: \_\_\_\_\_ State of Sale: \_\_\_\_\_

Minimum initial investment is \$100,000.

Money Orders, Traveler's Checks, Starter Checks, Foreign Checks, Counter Checks, Third-Party Checks or Cash cannot be accepted.

Payment will be made with:  Enclosed Check  Wired Funds  Funds to Follow

## 2 Account Type – Check One Box Only

### Non-qualified Registration Types

Individual  
(If TOD, attached application)

Joint Tenants\*  
(If TOD, attached application)

Tenants in  
Common   
Community Property

Trust\*\*

Non-profit\*\*

UGMA: State of \_\_\_\_\_

UTMA: State of \_\_\_\_\_

Corporation\*\*

S-corp  C-corp

Partnership\*\*

Other (Specify) \_\_\_\_\_

### Qualified Registration Types

Traditional IRA

Simple IRA

Profit Sharing Plan

Beneficial IRA

As Beneficiary for: \_\_\_\_\_

SEP IRA

ROTH IRA

Pension Plan

Keogh Plan

\* All parties must sign

\*\*Please attach pages of trust/plan document (or corporate resolution), which lists the names of trust/plan, trustees, signatures and date. The Certification of Investment Powers for Trust Accounts form may be completed in lieu of providing trust documents.

## 3 Investor Information – SSN or TIN Required

Owner Name: \_\_\_\_\_ SSN/TAX ID: \_\_\_\_\_ DOB: \_\_\_\_\_

Joint Owner Name: \_\_\_\_\_ SSN/TAX ID: \_\_\_\_\_ DOB: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

Optional Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_

Phone(day): \_\_\_\_\_ Phone (cellular): \_\_\_\_\_

E-mail Address: \_\_\_\_\_

US Citizen  Foreign Citizen, Country: \_\_\_\_\_  US Citizen Residing Outside US  Subject to Backup Withholdings

PLEASE ATTACH A PHOTOCOPY OF A VALID GOVERNMENT-ISSUED PHOTO ID WHICH INCLUDES INVESTOR'S AND/OR JOINT-INVESTOR'S DATE OF BIRTH (e.g. driver's license, passport, etc.)

#### 4 Account Title – SSN/TIN Required

Account Title Line 1: \_\_\_\_\_

Account Title Line 2: \_\_\_\_\_

Primary SSN/TIN: \_\_\_\_\_ Secondary SSN/TIN: \_\_\_\_\_

#### 5 Custodian/Trustee Information (If applicable)

**Note: Make checks payable to the custodian and send ALL paperwork directly to the custodian.**

Trustee Name: \_\_\_\_\_

Trustee Address 1: \_\_\_\_\_

Trustee Address 2: \_\_\_\_\_

Trustee City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Trustee Telephone Number: \_\_\_\_\_ Trustee Tax Identification Number: \_\_\_\_\_

Investor's Account Number with Trustee: \_\_\_\_\_

**IMPORTANT NOTE ABOUT PROXY VOTING:** By signing this subscription agreement, Custodian/Trustee authorizes the investor to vote the number of shares of CAPQ BDC Inc. that are beneficially owned by the investor as reflected on the Shareholder Register of CAPQ BDC Inc. as of the applicable record date at any meeting of the Shareholders of CAPQ BDC Inc. This authorization shall remain in place until revoked in writing by Custodian/Trustee. CAPQ BDC Inc. is hereby authorized to notify the investor of his or her rights to vote consistent with this authorization. (If you do not complete this section, distributions will be paid to the registered owner at the address in Section 1, IRA accounts may not direct distributions without the custodian's approval) Please see Section 6 (Distributions Information) of the Investor Instructions accompanying this Subscription Agreement for additional information.)

#### 6 Distribution Information (Choose one of the following options)

Send distributions via check to investor's home address (or for Qualified Plans to the address listed in Section 5)

Send distributions via check to the alternate payee listed here (not available for Qualified Plans without custodial approval)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Account Number: \_\_\_\_\_

Direct Deposit (Attach Voided Check) I authorize CAPQ BDC Inc. or its agent to deposit my distributions into the checking or savings account identified below. This authority will remain in force until I notify CAPQ BDC Inc. in writing to cancel it. In the event that CAPQ BDC Inc. deposits funds erroneously into my account, CAPQ BDC Inc. is authorized to debit my account for an amount not to exceed the amount of the erroneous deposit.

Financial Institution Name: \_\_\_\_\_ % of distributions: \_\_\_\_\_  Checking \_\_\_\_\_

Aba/Routing Number: \_\_\_\_\_ Account Number: \_\_\_\_\_  Savings \_\_\_\_\_

#### 7 Broker-Dealer and Registered Representative Information

Representative Name: \_\_\_\_\_ Rep Number: \_\_\_\_\_

Broker-Dealer Name: \_\_\_\_\_ Branch ID: \_\_\_\_\_

Representative's Address: \_\_\_\_\_

Representative's City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Representative's Phone: \_\_\_\_\_

Representative's E-mail Address: \_\_\_\_\_

This Subscription was made as follows:

Through a participating Broker-Dealer

Through a participating RIA\*  
unaffiliated with a participating Broker  
Dealer

\* A participating RIA is a RIA who has entered into a Placement  
Agreement

Shares are being purchased net of  
commissions

Based on the information I obtained from the subscriber regarding the subscriber's financial situation and investment objectives, I hereby certify to CAPQ BDC Inc. that I have reasonable grounds for believing that the purchase of Shares by the Subscriber is suitable and appropriate investment for this subscriber.

Signature of Financial Representative: \_\_\_\_\_ Date: \_\_\_\_\_

(If Required by Broker-Dealer)

Branch Manager / Compliance Officer Signature: \_\_\_\_\_

## 8 Electronic Delivery (Optional)

Instead of receiving paper copies of this Memorandum, Memorandum supplements, annual reports, proxy statements, and other stockbroker communications and reports, you may elect to receive electronic delivery of Shareholder communications from Capital Q Ventures Inc. If you would like to consent to electronic delivery, including pursuant to website or electronic mail, please sign and return this election with your Subscription Agreement.

By signing below, I acknowledge and agree that I will not receive paper copies of any Shareholder communications unless (i) I notify CAPQ BDC Inc. that I am revoking this election with respect to all Shareholder communications or (ii) I specifically request CAPQ BDC Inc. send a paper copy of a particular Shareholder communication(s) to me. CAPQ BDC Inc. has advised me that I have the right to revoke this election at any time and receive all Shareholder communications as paper copies through the mail. I also understand that I have the right to request paper copy of any Shareholder communication(s).

By electing electronic delivery, I understand that I may incur certain costs associated with my services for time online and downloading and printing Shareholder communications and I may be required to download software to read documents delivered in electronic format. Electronic delivery also involves risks related to system or network outages that could impair my timely receipt of or access to Shareholder communications.

Electronic Delivery  
Acknowledgement  
ONLY

Signature of Owner: \_\_\_\_\_ Date: / /

Signature of Joint Owner: \_\_\_\_\_ Date: / /

I acknowledge that email address from Section 3 will be used.

## 9 Subscriber Suitability

Please separately initial each of the representations below. Except in the case of fiduciary, you may grant any person the power of attorney to make such representations on your behalf. I hereby acknowledge and/or represent the following:

- |                          |   |
|--------------------------|---|
| ____ Owner ____ Co-Owner | 1. I have received the final Memorandum of CAPQ BDC Inc. at least five business days before signing the Subscription Agreement.   |
| ____ Owner ____ Co-Owner | 2. I earned income that exceeded \$200,000 (or \$300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year, or have a net worth over \$1 million, either alone or together with a spouse (excluding the value of the person's primary residence) and, if applicable, I meet the higher net worth and gross income requirements imposed by my state of primary residence as set forth in the Memorandum under "Accreditation Standards." I will not purchase additional shares unless I meet the applicable accreditation requirements set forth in the Memorandum at the time of purchase. |
| ____ Owner ____ Co-Owner | 3. I acknowledge that there is no public market for the shares and, thus, my investment is not liquid.  |
| ____ Owner ____ Co-Owner | 4. I am purchasing the shares for the account referenced in Section 4.  |
| ____ Owner ____ Co-Owner | 5. I acknowledge that I will not be admitted as a Shareholder until my investment has been accepted. The acceptance process includes, but is not limited to, reviewing the Subscription Agreement for completeness and signatures, conducting an Anti-Money Laundering check as required by the USA Patriot Act and receipt and acceptance of the full purchase price of the shares.  |
| ____ Owner ____ Co-Owner | 6. <b>Alabama:</b> In addition to the suitability standards noted above, the Alabama Securities Commission requires that this investment will only be sold to Alabama residents who represent that they have a liquid net worth of at least ten times their investment in this program and other similar programs.  |
| ____ Owner ____ Co-Owner | 7. <b>Iowa:</b> In addition to the suitability standards noted above, an Iowa investor's total investment in us shall not exceed 10% of his or her liquid net worth. Liquid net worth is that portion of an investor's net worth that consists of cash, cash equivalents and readily marketable securities.   |
| ____ Owner ____ Co-Owner | 8. <b>Kansas:</b> In addition to the suitability standards noted above, it is recommended by the Office of the Kansas Securities Commissioner that Kansas investors not invest, in the aggregate, more than 10% of their liquid net worth in this and other non-traded business development companies. Liquid net worth is defined as that portion of net worth which consists of cash, cash equivalents and readily marketable securities.   |
| ____ Owner ____ Co-Owner | 9. <b>Kentucky:</b> In addition to the suitability standards noted above, a Kentucky investor must have (i) either gross annual income of at least \$85,000 and a minimum net worth of \$85,000 (as defined in the NASAA Omnibus Guidelines), or (ii) a minimum net worth alone of \$300,000. Moreover, no Kentucky resident shall invest more than 10% of his or her liquid net worth in these securities.   |
| ____ Owner ____ Co-Owner | 10. <b>Maine:</b> In addition to the suitability standards noted above, the Maine Office of Securities recommends that an investor's aggregate investment in this offering and similar direct participation investments not exceed 10% of the investor's liquid net worth. For this purpose, "liquid net worth" is defined as that portion of net worth that consists of cash, cash equivalents, and readily marketable securities.   |
| ____ Owner ____ Co-Owner | 11. <b>Massachusetts:</b> In addition to the suitability standards noted above, the Massachusetts Securities Division recommends that an investor's aggregate investment in this offering and similar offering, including direct participation investments, not exceed 10% of the investor's liquid net worth. For this purpose, "liquid net worth" is defined as that portion of net worth that consists of cash, cash equivalents, and readily marketable securities.   |
| ____ Owner ____ Co-Owner | 12. <b>Nebraska:</b> In addition to the suitability standards noted above, a Nebraska investor must have either (a) an annual gross income of at least \$100,000 and a net worth (not including home, furnishings and personal automobiles) of at least   |



\$350,000, or (b) a net worth (not including home, furnishings and personal automobiles) of at least \$500,000. In addition, a Nebraska investor may not invest more than 10% of his or her net worth in this offering.

\_\_\_\_ Owner \_\_\_\_ Co-Owner

13. **New Jersey:** In addition to the suitability standards noted above, the New Jersey Bureau of Securities recommends that an investor's aggregate investment in this offering and similar direct participation program investments not exceed 10% of the investor's liquid net worth. For this purpose, "liquid net worth" is defined as that portion of net worth that consists of cash, cash equivalents and readily marketable securities."

\_\_\_\_ Owner \_\_\_\_ Co-Owner

14. **New Mexico:** In addition to the suitability standards noted above, a New Mexico resident's investment should not exceed 10% of his or her liquid net worth in this and other non-traded business development companies. Liquid net worth is defined as that portion of net worth which consists of cash, cash equivalents and readily marketable securities.

\_\_\_\_ Owner \_\_\_\_ Co-Owner

15. **North Dakota:** In addition to the suitability standards noted above, North Dakota requires that shares may only be sold to residents of North Dakota that represent they have a net worth of at least ten times their investment in the issuer and its affiliates and that they meet one of the established suitability standards.

\_\_\_\_ Owner \_\_\_\_ Co-Owner

16. **Ohio:** In addition to the suitability standards noted above, it shall be unsuitable for an Ohio investor's aggregate investment in shares of the issuer, affiliates of the issuer, and in other non-traded business development programs to exceed ten percent (10%) of his or her liquid net worth. "Liquid net worth" shall be defined as that portion of net worth (total assets exclusive of home, home furnishings, and automobiles minus total liabilities) that is comprised of cash, cash equivalents, and readily marketable securities.

\_\_\_\_ Owner \_\_\_\_ Co-Owner

17. **Oklahoma:** In addition to the suitability standards noted above, an Oklahoma investor must limit his or her investment in the Company to 10% of his or her net worth (excluding home, furnishings, and automobiles.)

\_\_\_\_ Owner \_\_\_\_ Co-Owner

18. **Oregon:** In addition to the suitability standards noted above, an Oregon investor must limit is or her investment in the Company to 10% of his or her net worth (excluding home, furnishings, and automobiles).

\_\_\_\_ Owner \_\_\_\_ Co-Owner

19. **Tennessee:** Investors who reside in the state of Tennessee must have either (i) a liquid net worth of \$100,000 and minimum annual gross income of \$100,000 or (ii) a minimum liquid net worth of \$500,000. In addition, a Tennessee investor's total investment in us shall not exceed 10% of his or her liquid net worth.

\_\_\_\_ Owner \_\_\_\_ Co-Owner

20. **Texas:** In addition to the suitability standards noted above, Texas residents purchasing shares (i) must have either (a) an annual gross income of at least \$100,000 and a net worth of at least \$100,000, or (b) a net worth of at least \$250,000; and (ii) may not invest more than 10% of their net worth in us. For Texas residents, "net worth" does not include the value of one's home, home furnishings or automobiles.

**I ACKNOWLEDGE RECEIPT OF THE MEMORANDUM, WHETHER OVER THE INTERNET, A PAPER COPY OR ANY OTHER DELIVERY METHOD. IF A SUBSCRIBER'S SUBSCRIPTION IS ACCEPTED, CAPQ BDC INC. WILL SEND THE SUBSCRIBER CONFIRMATION OF HIS OR HER PURCHASE AFTER HE OR SHE HAS BEEN ADMITTED AS A SHAREHOLDER.**

By signing below, you also acknowledge that:

- You do not expect to be able to sell your shares regardless of how we perform.
- If you are able to sell your shares, you will likely receive less than your purchase price.
- We do not intend to list our shares on any securities exchange during or for what may be a significant time after the offering period, and we do not expect a secondary market in the shares to develop.

- We intend to implement a share repurchase program, but only a limited number of shares are expected to be eligible for repurchase by us. In addition, any such repurchases will be at a price equal to our most recently disclosed NAV per Share immediately prior to the date of repurchase.
- You may not have access to the money you invest for an indefinite period of time.
- An investment in our shares is not suitable for you if you need access to the money you invest.
- Because you will be unable to sell your shares, you will be unable to reduce your exposure in any market downturn.
- Distributions may be funded from offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to us for investment. Any capital returned to Shareholders through Distributions will be distributed after payment of fees and expenses.

**Substitute W-9: I HEREBY CERTIFY** under penalty of perjury (i) that the taxpayer identification number shown on the Subscription is true, correct and complete, (ii) that I am not subject to backup withholding either because I have not been notified that I am subject to backup agreement withholding as a result of a failure to report all interest or Distributions, or the Internal Revenue Service has notified me that I am no longer subject to backup withholdings, and (iii) I am a U.S. citizen.

**Power of Attorney:** By executing this Subscription Agreement, I hereby appoint the BDC Manager of CAPQ BDC Inc. (the “BDC”), with full power of substitution, as my true and lawful representative, attorney-in-fact and agent, with full power and authority to make, execute, acknowledge, verify, swear to, deliver, record, and file,

in my name, place, and stead, the Amended and BDC Management Agreement (as amended from time to time, the “BDC Management Agreement”) of the BDC (thereby causing me to become a Shareholder in the BDC), or any other agreement or instrument that the BDC Manager deems appropriate to admit me as a Shareholder of the BDC. To the fullest extent permitted by applicable law, this power of attorney is coupled with an interest, is irrevocable and will survive, and will not be affected by, my subsequent death, disability, incapacity, incompetency, termination, bankruptcy, insolvency, or dissolution. I further acknowledge and agree that under the terms of the BDC Management Agreement, I grant a further power of attorney to the BDC Manager as provided for therein. This power of attorney may be exercised by such attorney-in-fact for all Shareholders (or any of them) by a single signature of the BDC Manager acting as attorney-in-fact with or without listing all of the Shareholders executing an instrument.

Signature of Owner: \_\_\_\_\_ Date: \_\_\_\_\_

Signature of Joint Owner or  
Qualified Plans, of Trustee/Custodian: \_\_\_\_\_ Date: \_\_\_\_\_

**This Subscription Agreement, together with a check made payable to CAPQ BDC Inc. for the full purchase price, should be delivered or mailed by your Broker-Dealer or Registered Investment Advisor, as applicable, to:**

<p><b>Regular Mail</b></p> <p>Investment Processing Department c/o Capital Q Management LLC 100 E Faith Terrace, Suite 1016 Maitland, Florida 32751</p>	<p><b>Overnight Mail</b></p> <p>Investment Processing Department c/o Capital Q Management LLC 100 E Faith Terrace, Suite 1016 Maitland, Florida 32751</p>	<p><b>Payments may be wired to:</b></p> <p>Capital Q Ventures Inc. c/o CAPQ BDC Inc. 100 E Faith Terrace, Suite 1016 Maitland FL 32751 Telephone: (407) 307-2277</p> <p>TD Bank, N.A. 810 N Orlando Ave, Winter Park, FL 32789 ABA #: 067014822 Account #: 4366155723 Bank Telephone: 1-800-937-2000</p> <p><b>International Wire-transfers:</b> Correspondent Bank SWIFT Code: TDOMCATTTOR Correspondent Bank: The Toronto Dominion Bank, 55 King Street West, Toronto, ON Canada M5k 1A2 Beneficiary Bank SWIFT Code: NRTHUS33XXX Beneficiary Bank: TD Bank, N.A. 1215 SE 17th Street, Fort Lauderdale, FL 33316-1705</p>
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