# CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

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

CUSIP NUMBER: 12511R 107 ISIN NUMBER: US12511R1077

*A Full-Stack Venture Capital Fund®*

Minimum Initial Investment $100,000

**Organized on March 10, 2020**

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

**Supplemental Date: September 30th, 2026**


**BDC Manager**
Capital Q Management LLC
100 East Faith Terrace, Suite 1016
Maitland, Florida 32751
(407) 307-CAPQ

**Fund Administrator**
NAV Fund Administration Group
1 Trans Am Plaza Dr,
Oakbrook Terrace, IL 60181
(630) 954-1919

**Legal Counsel**
Morrison & Foerster LLP
2100 L Street, NW, Suite 900
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**September 30th, 2026**
**Supplemental Private Placement Memorandum**
**Amendment Supplement No. 20**

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

CUSIP NUMBER: 12511R 107 ISIN NUMBER: US12511R1077

# $50,995,758

**Maximum Common Stock Shares Offered:** 100,000 (36,275 shares remaining available for issuance)[2]
**Issued and Outstanding:** 63,725 shares (whole number for PPM)[3]
**Offering Price Per Share:** $1,405.81[1]
**Minimum Investment:** $100,000 (Approximately ~71 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") and 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, as may be amended based on splits and share revisions, for an (as amended) $1,405.81 offering price per share. The offering price per share may from time to time be increased (or decreased) by the Board of Directors but shall not 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 RULE 506 OF REGULATION D PROMULGATED THEREUNDER, AND THE COMPARABLE EXEMPTIONS FROM REGISTRATION PROVIDED BY OTHER APPLICABLE SECURITIES LAWS.**

| | Sale Price | Selling Commissions [2] | Proceeds to Company [3] |
|---|---|---|---|
| Per Share | $1,405.81[1] | $0.00 | $1,405.81 |
| **Offering** | $50,995,758 | **$0.00** | $50,995,758 |

[1] The offering price is determined by the Board of Directors, which retains ultimate authority to adjust the price from time to time. Pursuant to a Shareholder Resolution and the Board's current pricing methodology, the offering price is based on the trailing prior two-quarter Net Asset Value (NAV), provided NAV continues to demonstrate steady growth. The Board may revise this methodology or adjust the offering price at its discretion, subject to applicable law and the Company's governing documents.

[2] Shares may also be sold by FINRA member brokers or dealers **who enter into a Participating Dealer or Soliciting Broker Agreement with the Company**, who will receive commissions which will be added and will increase the sales 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.

[3] The Offering will terminate upon the earliest of: (a) the date on which the Company, in its discretion, elects to terminate the Offering; or (b) the date on which all Shares available for issuance under the Offering have been sold, taking into account any applicable stock splits, share repurchases, tender offers, or other adjustments to the number of Shares available for issuance. The Offering Period may be extended from time to time by the Company, subject to applicable law and the terms of this Memorandum.

# 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", "PPM") 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 AS OF THE DATE FIRST ANNOTED IN THIS PPM.**

## NATURE OF OPERATIONS

*References herein to "we", "us" or "our" refer to CAPQ BDC Inc. d/b/a Capital Q® Business Development Company (the "Company" or the "BDC"), unless the context specifically requires otherwise.*

### Supplemental Private Placement Disclosure

This Supplemental 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. The BDC Manager seeks to provide Shareholders with accurate and timely information based on information reasonably available as of the date of this Supplemental. Certain information, particularly the estimated fair values of privately held portfolio investments, involves significant assumptions, estimates, and judgments and may be subject to subsequent revision as additional information becomes available. Actual realized values may differ materially from reported fair values. Investors should consider these limitations when evaluating the Company's financial condition and investment performance. Past performance is not indicative of future results, and there can be no assurance that the Company will achieve its investment objectives.

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

CAPQ BDC Inc. d/b/a Capital Q® Business Development Company (the "Company" or the "BDC") is a Florida corporation organized on March 10, 2020, operating as a private, non-traded, externally managed, closed-end investment company. The Company operates under the applicable provisions of the Investment Company Act of 1940, as amended (the "1940 Act"), having elected to be regulated as a business development company pursuant to Section 54(a) of the 1940 Act. The Company maintains its tax treatment as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code, subject to continued compliance with applicable qualification requirements. The Company's investment strategy is described as a Full-Stack Venture Capital Fund®, combining venture capital, private credit, and private equity investments. The Company's initial organizational and operating capital was provided by its sponsoring shareholder, Capital Q Ventures, Inc., the parent company of Capital Q Management LLC, the Company's external investment manager (the "BDC Manager").

**Investment Objective Summary**

Our investment objective is to seek to maximize total returns to our shareholders through a combination of current income distributions and realized capital gains, utilizing our proprietary Full-Stack Venture Capital Fund® investment strategy across venture capital, private credit, and private equity investments. We seek to invest primarily in private lower- to middle-market companies across various industries, employing an integrated investment approach designed to support portfolio company growth, capital formation, and liquidity opportunities.

Our investment strategy encompasses three principal areas: (a) **Venture Capital Equity**, consisting of investments in curated portfolio companies, including associated BDC Advisory Shares and contractual

buyback, put, and call option arrangements, where applicable; (b) **Private Credit**, consisting predominantly of credit facilities extended to our existing curated portfolio companies, including first-lien and second-lien loans, unsecured loans, commercial paper, collateralized debt obligations, unitranche financing, and mezzanine debt. Certain credit transactions may include warrants or equity participation rights, commonly referred to as "Equity Kickers," providing the Company with potential additional equity appreciation alongside contractual interest income; and (c) **Private Equity**, consisting of controlling and non-controlling equity investments, including investments supporting strategic bolt-on acquisitions, management buyouts ("MBOs"), and other structured liquidity or ownership transition transactions involving our portfolio companies.

In addition to these principal investment strategies, the Company maintains a maximum allocation of 30% of its investment portfolio for fund-of-funds investments and other investments that do not qualify as eligible portfolio assets under the applicable provisions of the Investment Company Act of 1940. The Company may also maintain cash and cash equivalents for liquidity management, investment deployment, and operational requirements, subject to applicable regulatory provisions. Actual allocations among investment categories may vary based on market conditions, portfolio company requirements, available investment opportunities, liquidity considerations, and applicable regulatory limitations.

## RESULTS OF OPERATIONS

### Forward-Looking Statements

This Supplemental may contain certain "forward-looking statements," which reflect our current views and expectations regarding the Company's future performance, investment activity, market conditions, portfolio outcomes, and other matters. Forward-looking statements are based on current assumptions, estimates, projections, and beliefs and are not guarantees of future results. These statements involve significant risks and uncertainties, and actual results may differ materially from those expressed or implied in any forward-looking statement.

Factors that may cause actual results to differ include but are not limited to: changes in economic conditions; interest rate fluctuations; valuation volatility within private markets; operating performance of portfolio companies; the availability of suitable investment opportunities; changes in regulatory or tax environments; market competition; and other risks described in the Company's Private Placement Memorandum and subsequent supplements.

We undertake no obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of this Supplemental, except as required by applicable law. Investors are urged not to place undue reliance on forward-looking statements, which speak only as of the date of this document.

## INVESTMENT SUMMARY OPERATIONS & SUPPLEMENTAL UPDATE

### Management's Discussion and Analysis of Financial Condition and Results of Operations

### Third Quarter Ended September 30, 2026

The following discussion should be read in conjunction with our financial statements and related notes included in this Quarterly Supplemental. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated. See "Cautionary Statement Regarding Forward-Looking Statements."

### Overview

During the third quarter ended September 30, 2026, CAPQ BDC Inc. continued to pursue its diversified private markets investment strategy across venture capital, private credit, and private equity through the Company's Full-Stack Venture Capital Fund® model. The BDC Manager remained focused on disciplined capital deployment, income generation, portfolio monitoring, valuation oversight, and long-term net asset

value growth, with an emphasis on supporting the capital requirements and strategic development of the Company's curated portfolio companies.

For the quarter, the Company generated total income of approximately $1.91 million and net income of approximately $1.60 million. Net securities-based distribution income totaled approximately $969,736, reflecting approximately $2.81 million in gross positive securities-based activity, offset by approximately $1.84 million in reductions associated with previously recognized advisory equity and contractual investment positions. Additional income included approximately $680,954 from private investments, $238,936 in interest income on loans, and $3,444 in bank interest income. The Company also recorded $110,000 in realized investment proceeds associated with the Shipsi put/call transaction and approximately $96,622 in net unrealized depreciation during the quarter.

Net asset value increased from approximately $92.44 million on June 30, 2026, to approximately $93.80 million on September 30, 2026, representing an increase of approximately $1.36 million during the quarter. The Company received approximately $1.00 million in capital contributions, recorded approximately $337,498 in redemptions, and made approximately $900,844 in shareholder distributions during the period. Net asset value per share on September 30, 2026, was approximately $1,471.96.

Management believes the third-quarter results reflect a comparatively softer period for the Company, attributable to headwinds in the BDC Manager's capital raising and fund distribution efforts, together with reductions in previously recognized securities-based investment positions. Capital inflows were below management's expectations, limiting the Company's ability to deploy additional capital into new venture capital and private credit investments during the quarter.

Notwithstanding these challenges, the Company continued to originate new Capital Partnership positions and generate income from existing portfolio investments. The exercise of the Shipsi contractual put/call arrangement also converted an existing investment position into cash, contributing to liquidity available for the Company's third-quarter shareholder distribution of $14.58 per share, scheduled for payment in October 2026.

The BDC Manager remains focused on expanding its capital distribution channels, supporting the financing requirements of existing portfolio companies, maintaining disciplined portfolio valuation practices, and pursuing new investment opportunities as additional capital becomes available.

**Securities-Based Distributions and Structured Equity Activity**

During the third quarter ended September 30, 2026, securities-based distributions continued to represent a significant component of the Company's operating income and its Full-Stack Venture Capital Fund® investment strategy. The Company recognized approximately $969,736 in net securities-based distribution income, compared with approximately $3.61 million in the preceding quarter. This result was below management's expectations, reflecting both a softer period for new Capital Partnership activity and impairments associated with previously recognized advisory equity and contractual investment positions.

During the quarter, the Company recorded approximately $2.81 million in gross positive securities-based distributions, including approximately $1.94 million in new equity interests and contractual put/call positions associated with Capital Partnership Agreements involving Estrella Football Group, VisionCore AI, and Peregrine Industries. Additional securities-based distributions and adjustments totaling approximately $871,955 were recognized in connection with Great Southern Copackers' increased preferred equity agreement, together with adjustments to existing equity interests in Docklyne LLC, Certus Core Inc., and Arrive Holdings LLC.

These positive contributions were partially offset by $1,838,903 in impairments to previously recognized securities-based investment positions, consisting of $1,638,903 associated with 3ICE Enterprises Inc. and $200,000 associated with Flora Coatings Inc. These impairments reflect reductions in the Company's previously recognized advisory equity interests and contractual investment positions. Consistent with the Company's reporting methodology, the impairments were recorded as negative offsets against gross securities-based distributions, rather than as separate unrealized investment depreciation. After recognizing these offsets, the Company reported approximately $969,736 in net securities-based distribution income for the quarter.

The Company's Capital Partnership Agreements may provide equity interests, contractual put/call rights, and other structured economic participation in portfolio companies. While these arrangements provide opportunities for current income and potential long-term capital appreciation, their ultimate value and realization remain dependent upon portfolio company performance, contractual provisions, and other investment risks. The impairments recognized during the quarter demonstrate that previously recognized securities-based investment positions may be reduced or eliminated, adversely affecting the Company's reported securities-based distribution income.

The BDC Manager continues to monitor the performance, contractual rights, and valuation of these investments as part of its ongoing portfolio management process, including consideration of portfolio company operating performance, applicable valuation methodologies, and independent valuation analyses where appropriate. Management remains focused on expanding new Capital Partnership activity as additional capital becomes available, while maintaining disciplined underwriting and portfolio oversight.

**Portfolio Valuation Activity**

During the third quarter ended September 30, 2026, the Company continued to evaluate portfolio company valuations in coordination with Stanton Park Capital Inc., the Company's independent valuation firm. Consistent with the Company's established valuation policies, valuation analyses may incorporate recent financing activity, enterprise value assumptions, contractual investment structures, market and transaction approaches, discounted cash flow analyses, and observable market information where available. The Company's valuation process utilizes the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines, with Stanton Park Capital assisting management and the Board of Directors in determining the fair value of portfolio investments for which readily available market quotations do not exist.

During the quarter, the Company recorded approximately $96,622 in net unrealized depreciation, compared with approximately $406,142 in net unrealized appreciation during the preceding quarter. This net change reflects the quarterly assessment of portfolio investment values, incorporating updated company-specific information, investment activity, contractual rights, market conditions, and independent valuation inputs, as applicable. Separately, reductions associated with previously recognized advisory equity interests and contractual positions involving 3ICE Enterprises Inc. and Flora Coatings Inc. were reflected as negative offsets within securities-based distribution income, rather than as additional unrealized depreciation. Management and the Board continue to evaluate portfolio valuations no less frequently than quarterly, with the assistance of Stanton Park Capital, in accordance with the Company's established valuation policies and procedures.

During the third quarter, the Company recognized $110,000 in net realized proceeds associated with the exercise of its contractual put/call rights involving Shipsi Technology Inc., after accounting for the related associate commission and amounts previously recognized in the preceding quarter. The Company also recorded a $145,000 reduction in the previously recognized carrying value of the contractual position as part of its quarterly unrealized valuation adjustments. The transaction converted a structured equity position into cash through the exercise of contractual liquidity rights established under the Company's Full-Stack Venture Capital Fund® investment strategy. The resulting proceeds contributed to the Company's available liquidity to support its third-quarter shareholder cash distribution of $14.58 per share, scheduled for payment in October 2026.

**Additional Investment Activity**

During the third quarter ended September 30, 2026, the Company continued to selectively deploy capital across its venture capital, private credit, and private equity strategies consistent with its Full-Stack Venture Capital Fund® investment model. Cash-funded investment activity remained below management's expectations, primarily reflecting headwinds in capital formation and the resulting limitations on available capital for new and follow-on investments.

During the quarter, the Company made approximately $1.01 million in cash-funded investments, consisting of a $750,000 private equity investment in Great Southern Copackers, a $112,000 private credit investment in Tastemaker Food Products Inc., and a $150,000 private credit investment in BGLP LLC – Bruno Wine. These investments supported the financing requirements and strategic development of existing portfolio companies.

In addition to these cash-funded investments, the Company continued to establish new Capital Partnership positions and manage its existing securities-based investment portfolio, as discussed separately under Securities-Based Distributions and Structured Equity Activity.

The BDC Manager continues to evaluate new and follow-on investment opportunities while balancing available liquidity, portfolio diversification, anticipated shareholder distributions, and the capital requirements of existing portfolio companies. Management remains focused on expanding its capital formation and distribution efforts to support additional investment activity in future periods.

**Portfolio Risk Management and Impairment Review**

As part of its ongoing portfolio risk management process, the BDC Manager continued to review portfolio investments for changes in operating performance, credit quality, liquidity, financial condition, contractual rights, and other company-specific developments that could adversely affect the value or recoverability of an investment. This review is conducted in conjunction with the Company's quarterly valuation process and, where applicable, with the assistance of Stanton Park Capital Inc., the Company's independent valuation firm.

During the third quarter ended September 30, 2026, the Company recognized approximately $1.84 million in impairments to previously recognized securities-based investment positions, consisting of $1,638,903 associated with 3ICE Enterprises Inc. and $200,000 associated with Flora Coatings Inc. These impairments reflect the reduction or elimination of advisory equity interests and contractual investment positions previously received through the Company's Capital Partnership Offers (CPOs) and recognized as securities-based distributions in prior reporting periods.

Importantly, these impairments illustrate a distinguishing feature of the Company's Full-Stack Venture Capital Fund® model and its “Last Money In” investment approach. The affected advisory positions were received through contractual Capital Partnership arrangements without the deployment of investor capital to acquire those interests. Although the positions had previously contributed to reported securities-based distribution income and portfolio value, the underlying companies were ultimately unable to secure sufficient additional financing to sustain their operations or investment viability. Consequently, the Company recognized the resulting impairments as negative offsets to securities-based distributions. No cash investment principal was deployed by the Company to acquire these impaired advisory positions, although their loss reduced previously recognized investment value and the Company's reported income for the quarter.

The BDC Manager continues to monitor portfolio companies across the Company's venture capital, private credit, and private equity asset classes for circumstances that may warrant impairment or other valuation adjustments. When management determines that an investment position is no longer expected to provide recoverable value, the Company recognizes the applicable reduction in accordance with its established accounting, reporting, and valuation policies.

Management believes the timely recognition of impairments and other investment adjustments is an important component of prudent portfolio management and provides Shareholders with a more transparent representation of the Company's investment portfolio, including the risks associated with its Full-Stack Venture Capital Fund® investment model.

**Portfolio Positioning**

As of September 30, 2026, CAPQ BDC Inc. maintained a diversified private markets portfolio across venture capital, private credit, and private equity, supplemented by structured equity interests and contractual put/call positions established through the Company's Capital Partnership Offers (CPOs).

The Company continues to operate pursuant to its Full-Stack Venture Capital Fund® model, which is designed to provide multiple forms of capital throughout a portfolio company's development. This approach allows the BDC Manager to combine growth-oriented venture capital investments with income-producing private credit and strategic private equity investments, while utilizing structured equity arrangements to establish additional economic interests and contractual rights in selected portfolio companies.

An important component of this model is the Company's “Last Money In” investment philosophy, under which advisory equity interests and contractual investment positions may be established through CPOs before the

Company commits cash investment capital. These arrangements provide an opportunity to participate in potential portfolio company value creation without requiring an immediate cash investment to acquire the advisory positions. The value of these interests nevertheless remains subject to portfolio company performance, financing availability, contractual provisions, and the possibility of impairment.

At September 30, 2026, the Company reported net assets of approximately $93.80 million, compared with approximately $92.44 million at June 30, 2026. Net asset value per share was approximately $1,471.96, compared with approximately $1,462.26 at the preceding quarter-end. The portfolio continued to generate income from securities-based distributions, private investments, and private credit, notwithstanding the impairments and more limited capital formation activity experienced during the quarter.

The BDC Manager remains focused on maintaining an appropriate balance among the Company's three targeted asset classes, generating current income, supporting the financing and strategic development requirements of portfolio companies, and preserving opportunities for long-term capital appreciation. Management believes this multi-asset approach provides flexibility to deploy the appropriate form of capital at the appropriate stage of a portfolio company's development, while managing liquidity, investment concentration, and the risks inherent in private market investments.

**Outlook for the Remainder of 2026 and 2027**

Looking ahead to the remainder of 2026 and into 2027, the BDC Manager intends to remain focused on disciplined capital deployment, income generation, active portfolio management, liquidity preservation, and long-term net asset value growth. The Company expects to selectively pursue new and follow-on investment opportunities across venture capital, private credit, and private equity consistent with its Full-Stack Venture Capital Fund® model, while continuing to address the capital formation and fund distribution challenges experienced during the third quarter.

During the fourth quarter of 2026, management intends to place particular emphasis on strengthening capital formation and expanding the Company's fund distribution channels, while maintaining disciplined underwriting and capital allocation practices. Available capital will continue to be evaluated against the financing requirements of existing portfolio companies, prospective new investments, anticipated Shareholder distributions, and other liquidity needs. The BDC Manager will continue to assess opportunities to provide additional capital where management believes such investments may strengthen the Company's investment position, support portfolio company development, or create additional opportunities for income and long-term capital appreciation.

Securities-based distributions, private investment income, and interest income from the Company's private credit portfolio are expected to remain important components of operating results. However, the timing and amount of these income sources may vary significantly between reporting periods. The impairments recognized during the third quarter demonstrate the risks associated with advisory equity positions and contractual investment rights, including the potential for previously recognized securities-based distributions to be reduced or eliminated as portfolio company circumstances change.

Looking toward 2027, the BDC Manager intends to build upon the Company's existing portfolio and investment infrastructure by pursuing additional capital formation opportunities, selectively expanding venture capital and private credit investments, and evaluating strategic private equity transactions where appropriate. Management also expects to continue supporting the operational and financing requirements of existing portfolio companies, while evaluating contractual put/call exercises and other potential investment realizations that may contribute to portfolio liquidity.

An important component of the Company's longer-term strategy remains its “Last Money In” investment philosophy, under which advisory equity interests and contractual investment positions may be established through Capital Partnership Offers (CPOs) before the Company commits cash investment capital. This approach allows the BDC Manager to establish an economic interest in selected portfolio companies while monitoring their development, co-investment syndication prospects, and subsequent investment requirements. Although these arrangements may limit the initial cash capital required to acquire advisory positions, they remain subject to portfolio company performance, valuation adjustments, contractual conditions and The Company’s performance matrices, and potential impairments.

Management believes the Company's ability to invest across three complementary asset classes provides flexibility in responding to changing market conditions and portfolio company financing requirements. Throughout 2027, the BDC Manager intends to maintain its focus on deploying the appropriate form of capital at the appropriate stage of a portfolio company's development, while balancing current income objectives, Shareholder liquidity considerations, portfolio diversification, and opportunities for long-term capital appreciation.

The Company's outlook remains subject to capital availability, prevailing market conditions, portfolio company performance, and other investment and operational risks. There can be no assurance that anticipated investment opportunities, capital formation initiatives, portfolio realizations, or investment objectives will be achieved.

**Financial Information:**

CAPQ BDC Inc. d/b/a Capital Q® Business Development Company
Statement of Assets and Liabilities (Unaudited)
As of 09/30/2026
Reporting Currency : USD

| Account Category | GL Number | Financial Account | Amount |
|---|---|---|---|
| Assets - Cash | 13004 | Broker Cash Balance | 87,233.00 |
| Assets - Cash | 13004 | Bank Balance | 825,966.19 |
| Assets - Long Portfolio Value | 13501 | Long Portfolio Value- Cost | 85,434,102.33 |
| Assets - Long Portfolio Value | 13503 | Long Portfolio Value-Unrealized Gain/Loss | 7,180,942.49 |
| Assets - Interest Receivables | 10001 | Interest Receivable on Loan | 380,318.48 |
| Assets - Other Receivables | 12519 | Income Receivable from Private Investment | 161,405.17 |
| **Total Assets:** | | | **94,069,967.66** |
| Liabilities - Capital Payables | 21006 | Distributions Payable | 376.46 |
| Liabilities - Other Payables | 21520 | Sub Advisor Fee (Deducted from Management Fees) Payable | 4,491.00 |
| Liabilities - Fees Payables | 21502 | Management Fee Payable | 231,223.03 |
| Liabilities - Expense Payables | 22004 | Administration Expenses Payable | 2,875.00 |
| Liabilities - Expense Payables | 22005 | Professional Expenses Payable | 30,115.00 |
| **Total Liabilities:** | | | **269,080.48** |
| **Capital:** | **70031** | **Ending Net Asset Value** | **93,800,887.18** |

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CAPQ BDC Inc. d/b/a Capital Q® Business Development Company
Account Statement (Unaudited)
For the Period Ended September 30, 2026
Reporting Currency : USD
Start Of Period : 07/01/2026
End Of Period : 09/30/2026

| Statement of Income | Quarter to Date | Year to Date |
|---|---|---|
| Trading Income (Expenses): | | |
| Realized P&L - Long Term | 110,000.00 | 168,117.82 |
| Change In Unrealized P&L | (96,621.70) | 1,116,238.06 |
| | 13,378.30 | 1,284,355.88 |
| Other Incomes: | | |
| Interest Income on Loan | 238,936.37 | 582,820.40 |
| Bank Interest Income | 3,444.07 | 11,163.01 |
| Securities Based Distributions | 969,735.98 | 8,657,674.96 |
| Income from Private Investment | 680,954.40 | 2,070,600.56 |
| **Total Income (Loss):** | 1,906,449.12 | 12,606,614.81 |
| Expenses: | | |
| Management Fee | (231,223.03) | (651,704.52) |
| Administration Expenses | (3,670.00) | (10,970.26) |
| Legal Expenses | (5,800.00) | (66,951.05) |
| Professional Expenses | (46,666.82) | (112,568.07) |
| Operating Expenses | (146.29) | (1,885.56) |
| Board of Directors Charges and Expenses | (770.45) | (1,811.22) |
| Sub Advisor Fee (Deducted from Management Fees) | (4,490.99) | (4,244.69) |

| | | |
|---|---|---|
| Valuation Expenses | (17,500.00) | (85,750.00) |
| **Total Expenses:** | (310,267.58) | (935,885.37) |
| **Net Income (Loss) :** | 1,596,181.54 | 11,670,729.43 |
| **Statement of Changes in Net Asset Value** | | |
| Beginning Balance | 92,439,719.20 | 79,982,264.93 |
| Capital Calls | 1,003,328.16 | 5,098,514.52 |
| Net Income (Loss) | 1,596,181.54 | 11,670,729.43 |
| Redemptions | (337,497.72) | (337,497.72) |
| Distributions | (900,844.00) | (2,613,123.98) |
| **Ending Balance:** | 93,800,887.18 | 93,800,887.18 |
| Common Stock par value $0.001 per share | 63,725.072333 | |
| Net Asset Value per share | 1,471.962036 | |
| MOIC | 2.73 | |

• Per Share Net Asset Value may differ from Investor Ending Capital Account Balance Per Share ($) based on statement adjustments for management fees and date of investment.

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## Notes to Condensed Consolidated Financial Statements (Unaudited)
## For the Three Months Ended September 30, 2026

1. **Basis of Presentation:** The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to investment companies, including Accounting Standards Codification ("ASC") 946, Financial Services — Investment Companies. In the opinion of management, the accompanying financial statements include all adjustments considered necessary for a fair presentation of the Company's financial position and results of operations for the interim period. These financial statements should be read in conjunction with the Company's most recent audited annual financial statements and accompanying notes.
2. **Interim Results:** The results of operations for the three months ended September 30, 2026, are not necessarily indicative of results that may be expected for the full fiscal year or future reporting periods. Investment income, securities-based distributions, portfolio valuations, and realized investment activity may vary significantly between periods.
3. **Use of Estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, income, expenses, and disclosures of contingent assets and liabilities. Significant estimates include the fair value of investments for which readily available market quotations do not exist, the valuation of contractual investment rights, and the assessment of investment recoverability. Actual results could differ materially from management's estimates.
4. **Significant Accounting Policies:** The Company applies U.S. GAAP, including ASC 946, Financial Services — Investment Companies, and ASC 820, Fair Value Measurement. Interest income is generally recognized on an accrual basis, subject to the Company's policies regarding collectibility and nonaccrual investments. Fees, original issue discounts, premiums, and discounts are recognized or amortized using the effective interest method, as applicable. Distributions from portfolio investments are recognized in accordance with the applicable accounting treatment and the underlying terms of the investment. Cash equivalents generally consist of highly liquid investments with original maturities of three months or less at acquisition.
5. **Securities-Based Distributions:** Securities-Based Distributions ("SBDs") represent non-cash investment consideration received pursuant to the Company's Capital Partnership Offers ("CPOs") and related structured investment arrangements. These distributions may include advisory equity interests, contractual put/call rights, warrants, and other securities or contractual economic interests. Such interests are generally issued without the deployment of cash investment principal and may be subject to contractual performance guarantees, forfeiture provisions, and revocation rights. The Company recognizes Securities-Based Distributions in accordance with its established accounting policies under U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), including the applicable provisions of Accounting Standards Codification ("ASC") 946, *Financial Services—Investment Companies*, and ASC 820, *Fair Value Measurement*. Recognition considers the contractual rights, performance conditions, and valuation of the underlying investment interests. Because certain Advisory Shares and related contractual interests remain subject to performance guarantees and potential revocation, previously recognized Securities-Based Distributions may be reduced or reversed when applicable contractual conditions are not satisfied. Consistent with the Company's accounting policies, such contractual reductions are recognized as negative offsets against Securities-Based Distributions, resulting in net reported income that may fluctuate between reporting periods. These adjustments are distinguished from subsequent changes in the fair value of investment interests that remain recognized. For the three months ended September 30, 2026, the Company recognized approximately $2.81 million in gross Securities-Based Distributions, offset by approximately $1.84 million in reductions to previously recognized contractual investment interests, resulting in approximately $969,736 in net Securities-Based Distribution income. The recognition of Securities-Based Distributions does not necessarily represent cash received during the reporting period. Similarly, the reduction or elimination of interests originally received without cash consideration does not represent a loss of cash investment principal, although such adjustments may reduce previously recognized investment value and current-period income. The ultimate economic value realized from these positions remains subject to contractual conditions, portfolio company performance, and investment risks.
6. **Fair Value Measurement:** The Company measures its investment portfolio at fair value in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), including Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, and the applicable provisions of ASC 946, *Financial Services—Investment Companies*. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's valuation process utilizes the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines, with assistance from Stanton Park Capital Inc., its independent third-party valuation firm. Management and the Board of Directors evaluate investment valuations no less frequently than quarterly, considering available market information, portfolio company financial performance, recent financing transactions, contractual investment rights, and other relevant factors. ASC 820 establishes a three-level fair value hierarchy based on the observability of valuation inputs. Level 1 includes quoted prices in active markets for identical assets; Level 2 includes other directly or indirectly observable inputs; and Level 3 includes significant unobservable inputs requiring management estimates and assumptions. Because many of the Company's investments are privately held and lack readily available market quotations, a substantial portion of the portfolio may be classified within Level 3. Valuation methodologies may include market-based approaches, recent financing transactions, comparable company analyses, income approaches, discounted cash flow analyses, and other techniques appropriate to the characteristics of each investment. Changes in investment fair values are recognized in the Company's financial statements in accordance with its applicable accounting policies. For the three months ended September 30, 2026, the Company recognized approximately **$96,622 in net unrealized depreciation** associated with changes in portfolio investment valuations. This amount is separate from contractual reductions or reversals of

previously recognized Securities-Based Distributions, which are addressed in Note 5. Fair value measurements involving significant unobservable inputs are inherently subjective and may differ materially from amounts ultimately realized upon the sale, settlement, or other disposition of an investment

7. **Related Party Transactions:** The Company is externally managed by Capital Q Management LLC, a registered investment adviser and wholly owned subsidiary of Capital Q Ventures Inc. Under various Investment Advisory Agreements, the Company incurs management fees in accordance with the terms disclosed in its Private Placement Memorandum. For the three months ended September 30, 2026, the Company's reporting summary reflects approximately $235,714 in gross management fees, reduced by approximately $4,491 in sub-adviser fee allocations, resulting in approximately $231,223 in net management fees. The Statement of Income presents the management fee and sub-adviser allocation as separate expense line items, which together represent the Company's total gross management fee expense of approximately $235,714 for the quarter. The sub-adviser allocation does not constitute an additional fee beyond the gross management fee. Related-party transactions remain subject to the Company's governing agreements, applicable policies, and oversight procedures.
8. **Commitments and Contingencies:** In the ordinary course of business, the Company may enter into investment commitments, subscription agreements, financing arrangements, or other contractual obligations associated with existing and prospective portfolio investments. The Company evaluates these arrangements for recognition or disclosure in accordance with applicable U.S. GAAP. As of September 30, 2026, the Company had no material binding unfunded investment commitments or other material contingent obligations requiring disclosure in the accompanying condensed consolidated financial statements.
9. **Subsequent Events:** The Company has evaluated subsequent events occurring after September 30, 2026, through October 22, 2026, the date the condensed consolidated financial statements were available to be issued, in accordance with ASC 855, *Subsequent Events*. Based on this evaluation, the Company identified no subsequent events requiring adjustment to, or additional disclosure in, the accompanying condensed consolidated financial statements.

## Investment Portfolio

At September 30, 2026, the portfolio consisted primarily of Private Investments in the following:

| CAPQ BDC Inc. d/b/a Capital Q® Business Development Company<br>Full-Stack Venture Capital Fund® Asset Balance<br>For the Period Ended September 30, 2026 | | |
|---|---|---|
| Venture Capital | 52,292,990.80 | 56.46 |
| Private Credit | 27,121,711.02 | 29.28 |
| Private Equity | 13,200,343.00 | 14.25 |
| TOTAL | 92,615,044.82 | 100.00% |

**CAPQ BDC Inc. d/b/a Capital Q® Business Development Company**
**Portfolio Valuation** as of September 30, 2026

| Security Description | Currency | Ticker | NAV Market Value (Base) |
|---|---|---|---|
| **Private Credit** | | | |
| Bglp Llc -bruno Wine 13% 12/04/2027 Loan Private | USD | BGLP | 450,000.00 |
| Black Dog Horticulture 13% 06/04/2026 Private | USD | BDHT | 20,000.00 |
| Digital Self Inc 20% 05/20/2025 | USD | DIGITAL_CP1 | 180,000.00 |
| Dmvi Promissory Note 0% 12/31/2027 | USD | DMVI_NOTE | 100,000.00 |
| H Bar C Co. 13% 10/02/2026 Private | USD | HBARC | 1,500,000.00 |
| Medical Investment Solutions LLLP | USD | MIS_PVT | 20,409,711.02 |
| Mostest Inc_safe | USD | MOSTEST_SAFE | 300,000.00 |
| Nix Inc_series A-1 Preferred Stock | USD | NIX_PFD | 250,000.00 |
| Optifuel Systems Llc 12% 09/07/27 Private | USD | OPTI_PVT3 | 1,450,000.00 |
| Shipsi Technology Holdings Inc_safe | USD | SHIPSI_SAFE | 350,000.00 |
| Starbuck Jax Llc 14% 12/30/26 Private | USD | STARBUCKJAX | 750,000.00 |
| Starbucks Saint Llc 14% 10/02/2026 Private | USD | STARBUCKSSAINT | 750,000.00 |
| Tastemaker Food Products Inc 13% 06/15/2028 | USD | TASTE_PVT3 | 362,000.00 |
| Ternwheel Inc_SAFE | USD | TERM_SAFE | 250,000.00 |
| | **SUB TOTAL** | | **27,121,711.02** |
| **Private Equity** | | | |
| Edelweiss - 30% (priority Preferred Return Of Capital)pvt | USD | EDELWEISS_PVT | 288,000.00 |
| Great Southern Copackers Priority Preferred Equity | USD | GREAT_PVT | 6,862,500.00 |
| National Restaurant Brands LLLP | USD | NATIONAL_PVT | 5,825,639.00 |
| Starbucks Jax Llc (warrant) | USD | STARBUCKSJAX_PVT | 88,789.00 |
| Starbucks Saint Llc (warrant 3% Equity) | USD | STARBUCKSSAINT_PVT | 135,415.00 |
| | **SUB TOTAL** | | **13,200,343.00** |
| **Venture Capital** | | | |
| Accidental Entmt 5% Equity | USD | ACCIDENTAL_PVT | 251,906.00 |

| | | | |
|---|---|---|---|
| Accidental Entmt Put/call | USD | ACCIDENTAL_PVT2 | 230,000.00 |
| Accorai 3% | USD | ACCORAI_PVT | 273,106.00 |
| Accorai Put/call | USD | ACCORAI_PVT1 | 335,000.00 |
| Ai Nexus Inc. - Mia Health 3% Equity | USD | AI_PVT | 681,673.38 |
| Ai Nexus Inc. - Mia Health Put/call Option | USD | AI_PVT1 | 340,000.00 |
| Arrive Holdings Llc 5% Equity | USD | ARRIVE_PVT | 903,644.31 |
| Arrive Holdings Llc Put/call Option | USD | ARRIVE_PVT1 | 145,000.00 |
| Attic Space 5% Equity | USD | ATTIC_PVT | 292,220.00 |
| Attic Space Llc | USD | ATTIC_PVT | 25,000.00 |
| Attic Space Put/call | USD | ATTIC_PVT2 | 95,000.00 |
| BGLP LLC -Bruno Wine 3% Equity | USD | BGLP_PVT | 275,966.72 |
| Bglp Llc -bruno Wine Put/call Option | USD | BGLP_PVT1 | 190,000.00 |
| BioPollen Solutions Inc 5% Equity | USD | BIOPOLLEN_PVT | 181,532.00 |
| BioPollen Solutions Inc. Put/call | USD | BIOPOLLEN_PVT2 | 295,000.00 |
| Black Dog Horticulture Technologies & Consulting Inc 5% Equi | USD | BLACK_PVT | 98,733.23 |
| Black Dog Horticulture Technologies & Consulting Inc Put/cal | USD | BLACK_PVT1 | 270,000.00 |
| Capsure Marketing Llc 5% Equity | USD | CAPSURE_PVT | 118,748.76 |
| Capsure Marketing Llc Put/call Option | USD | CAPSURE_PVT | 240,000.00 |
| Captiva Spirits Inc - 2nd equity Investment | USD | CAPTIVASPIRITS_PVT3 | 50,000.00 |
| Captiva Spirits Inc 5% Equity | USD | CAPTIVASPIRITS_PVT | 491,923.00 |
| Captiva Spirits Inc Put/call | USD | CAPTIVASPIRITS_PVT2 | 292,500.00 |
| Certus Core Inc. 3% Equity | USD | CERTUS_PVT | 531,453.99 |
| Certus Core Inc. Put/call Option | USD | CERTUS_PVT1 | 400,000.00 |
| Cosmo Aesthetics 5% | USD | COSMOAESTHETICS_PVT | 812,000.00 |
| Cosmo Aesthetics Put/call | USD | COSMOAESTHETICS_PVT2 | 290,000.00 |
| Curievision Inc – 2nd investment | USD | CURIEVISION_PVT2 | 50,000.00 |
| Curievision Inc 4% Equity | USD | CURIEVISION_PVT | 767,034.00 |
| Curievision Inc Put/call | USD | CURIEVISION_PVT1 | 292,500.00 |
| Dayglow Llc 5% Equity | USD | DAYGLOW_PVT | 155,892.00 |
| Dayglow Llc Put/call | USD | DAYGLOW_PVT1 | 240,000.00 |
| Dayglow Llc_amendment And Waiver Agreement | USD | DAYGLOW_PVT | 250,000.00 |
| Dmvi Class A Membership Units | USD | DMVI_PVT1 | 336,000.00 |
| Docklyne Llc 5% Equity | USD | DOCK_PVT | 739,502.82 |
| Docklyne Llc Put/call Option | USD | DOCK_PVT1 | 172,500.00 |
| Estrella Football Group Put/call Option | USD | ESTRELLA_PVT1 | 270,000.00 |
| Estrella Football Group. 3% Equity | USD | ESTRELLA_PVT | 375,000.00 |
| Florida Ortho 15% Equity | USD | FLORIDA_PVT | 337,649.00 |
| Florida Ortho Put Option | USD | FLORIDA_PVT2 | 180,000.00 |
| Gate Escape. 5% Equity | USD | GATE_PVT | 588,173.09 |
| Gate Escape. Put/call Option | USD | GATE_PVT1 | 270,000.00 |
| Global Inspections Group Inc – 2nd equity Investment | USD | GLOBAL_PVT2 | 50,000.00 |
| Global Inspections Group Inc 5% Equity | USD | GLOBAL_PVT | 148,827.00 |
| Global Inspections Group Inc Put/call | USD | GLOBAL_PVT1 | 172,500.00 |
| Grandstand Inc 4% Equity | USD | GRANDSTAND_PVT | 526,512.70 |
| Grandstand Inc Put/call Option | USD | GRANDSTAND_PVT | 240,000.00 |
| Greenway Wld Solut 12.5% Equity | USD | GREENWAY_PVT | 250,000.00 |
| H Bar C Co 5% Equity | USD | H BAR C_PVT | 750,000.00 |
| Halt Enterprises Inc. 5% Equity | USD | HALT_PVT | 990,410.77 |
| Halt Enterprises Inc. Put/call Option | USD | HALT_PVT1 | 230,000.00 |
| Hegg Foods 5% Equity | USD | HEGG_PVT | 84,470.00 |
| Hegg Foods Put Call | USD | HEGG_PVT1 | 232,500.00 |
| Houser Technology Inc. 5% Equity | USD | HOUSER_PVT | 374,079.49 |
| Houser Technology Inc. Put/call Option | USD | HOUSER_PVT1 | 270,000.00 |
| Huros Pte Ltd 5% Equity | USD | HUROS_PVT | 275,437.00 |
| Huros Pte Ltd Put/call | USD | HUROS_PVT1 | 92,500.00 |
| Lawfi Inc. 4% Equity | USD | LAWFI_PVT | 1,087,327.00 |
| Lawfi Inc. Put/call | USD | LAWFI_PVT1 | 400,000.00 |
| Listella Inc. 5% Equity | USD | LISTELLA_PVT | 532,816.00 |

| | | | |
|---|---|---|---|
| Listella Put/call | USD | LISTELLA_PVT1 | 175,000.00 |
| Lumi Labs Inc 5% Equity | USD | LUMI_PVT | 591,384.45 |
| Lumi Labs Inc Put/call Option | USD | LUMI_PVT1 | 270,000.00 |
| Mammoth Nation 5% Equity | USD | MAMMOTH_PVT | 2,856,657.42 |
| Mammoth Nation Put/call Option | USD | MAMMOTH_PVT1 | 700,000.00 |
| Matteo Usa Llc 5% Equity | USD | MATTEO_PVT | 341,937.00 |
| Matteo Usa Put/call | USD | MATTEO_PVT1 | 95,000.00 |
| Mbp Outdoor Ventures Usa Inc. 5% Equity (arvie) | USD | MBP_PVT | 382,536.80 |
| Mbp Outdoor Ventures Usa Inc. Put/call Option (arvie) | USD | MBP_PVT1 | 100,000.00 |
| Method Gaming Limited 3.5% Equity | USD | METHOD_PVT | 93,235.04 |
| Method Gaming Limited Put/call Option | USD | METHOD_PVT1 | 70,000.00 |
| Mostest Inc 5% Equity | USD | MOSTEST_PVT | 671,750.20 |
| Mostest Inc Put/call Option | USD | MOSTEST_PVT1 | 190,000.00 |
| Navisavi Inc – 2nd investment Priority Preferred | USD | NAVI_PVT2 | 250,000.00 |
| Navisavi Inc 5% Equity | USD | NAVI_PVT | 94,774.00 |
| Navisavi Inc Put/call | USD | NAVI_PVT1 | 132,500.00 |
| Nestre Health And Performance Inc. – 2nd investment | USD | NESTRE_PVT | 500,000.00 |
| Nestre Health And Performance Inc. 5% Equity | USD | NESTRE_PVT1 | 837,032.00 |
| Nestre Health And Performance Inc. Put/call | USD | NESTRE_PVT2 | 198,000.00 |
| Nila Technology Ltd 3% Equity | USD | NILA_PVT | 236,461.00 |
| Nila Technology Ltd Put/call | USD | NILA_PVT1 | 78,500.00 |
| Nix Inc 3% Equity | USD | NIX_PVT | 1,432,600.69 |
| Nix Inc Put/call Option | USD | NIX_PVT1 | 250,000.00 |
| Nutritone Corp 4% Equity | USD | NUTRI_PVT | 121,954.37 |
| Nutritone Corp Put/call Option | USD | NUTRI_PVT1 | 100,000.00 |
| Opengrid Technologies Co. 5% Equity | USD | OPENGRID_PVT | 50,000.00 |
| Opengrid Technologies Co. Put/call Option | USD | OPENGRID_PVT | 100,000.00 |
| Optifuel Systems Llc Class A Membership Units | USD | OPTI_PVT | 511,163.00 |
| Optifuel Systems Llc Class B Membership Units | USD | OPTI_PVT1 | 2,576,870.00 |
| Optifuel Systems Put/call | USD | OPTIFUEL_PVT1 | 276,500.00 |
| Peregrine Industries. 4% Equity | USD | PEREGRINE_PVT | 673,786.17 |
| Peregrine Industries. Put/call Option | USD | PEREGRINE_PVT1 | 204,000.00 |
| Persimmons Inc. 3% Equity | USD | PERSIMMONS_PVT | 2,161,481.79 |
| Persimmons Inc. Put/call Option | USD | PERSIMMONS_PVT | 600,000.00 |
| Plainsight Inc 5% Equity | USD | PLAIN_PVT | 165,016.00 |
| Plainsight Inc.put/call Option | USD | PLAIN_PVT1 | 96,250.00 |
| Plato Technologies Put/call | USD | PLATO_PVT | 200,000.00 |
| Plato Technology 5% Equity | USD | PLATO_PVT1 | 686,363.00 |
| Pro Sport Dev Ctr 5% Equity | USD | PROSPORT_PVT | 571,967.00 |
| Pro Sport Dev Ctr Put/call | USD | PROSPORT_PVT1 | 400,000.00 |
| Prohawk Technology Inc.  Equity | USD | PROHAWK_PVT | 162,000.00 |
| Provation Life 5% Equity | USD | PROVATION_PVT | 157,509.00 |
| Provation Life Put/call | USD | PROVATION_PVT1 | 135,000.00 |
| Revival Tea Company Inc 3% Equity | USD | REVIVAL_PVT | 68,553.00 |
| Revival Tea Company Inc Put/call Option | USD | REVIVAL_PVT1 | 400,000.00 |
| Rito Foods Inc 3.5% Equity | USD | RITO_PVT | 175,000.00 |
| Rito Foods Inc Put/call Option | USD | RITO_PVT1 | 145,000.00 |
| Robo Point Guard Inc. 5% Equity | USD | ROBO_PVT | 424,924.00 |
| Robo Point Guard Put/call | USD | ROBO_PVT1 | 172,500.00 |
| Sanmellix Laboratories Inc. (beecure) 5% Equity | USD | SANMELLIX_PVT | 210,195.00 |
| Sanmellix Laboratories Inc. (beecure) Put/call | USD | SANMELLIX_PVT1 | 100,000.00 |
| Sewell Holdings Ltd 5% Equity | USD | SEWELL_PVT | 533,608.00 |
| Sewell Holdings Ltd Put/call | USD | SEWELL_PVT1 | 400,000.00 |
| Shipsi Technology Inc 5% Equity | USD | SHIPSI_PVT | 450,000.00 |
| Shotboxxx 5% Equity | USD | SHOTBOXXX_PVT | 353,671.00 |
| Shotboxxx Put/call | USD | SHOTBOXXX_PVT1 | 240,000.00 |
| Simplicapital 5% Equity | USD | SIMPLICAPITAL_PVT | 433,161.00 |
| Simplicapital Put/call | USD | SIMPLICAPITAL_PVT1 | 100,000.00 |

| | | | |
|---|---|---|---|
| Space Dock (orbital Outpost X Inc.) 3.5% Equity | USD | SPACE_PVT | 87,500.00 |
| Space Dock (orbital Outpost X Inc.) Put/call Option | USD | SPACE_PVT1 | 388,000.00 |
| Squegg Inc. 5% Equity | USD | SQUEGG_PVT | 65,016.00 |
| Squegg Put/call | USD | SQUEGG_PVT1 | 155,000.00 |
| Swiss Precision Active Inc. 5% Equity | USD | SWISS_PVT | 303,943.00 |
| Swiss Precision Active Inc. Put/call | USD | SWISS_PVT1 | 100,000.00 |
| Tastemaker Food Products Inc 4% Equity | USD | TASTE_PVT | 345,370.77 |
| Tastemaker Food Products Inc Put/call Option | USD | TASTE_PVT1 | 100,000.00 |
| Ternwheel Inc 5% Equity | USD | TERM_PVT | 770,136.67 |
| Ternwheel Inc Put/call Option | USD | TERM_PVT1 | 127,000.00 |
| The Money Factory LLC 5% Equity | USD | THEMONEY_PVT | 640,251.41 |
| The Money Factory Llc Put/call Option | USD | THEMONEY_PVT1 | 490,000.00 |
| Ur Concierge Services 5% Equity | USD | UR_PVT | 203,011.00 |
| Ur Consierge Services Put/call | USD | UR_PVT1 | 92,500.00 |
| Vaya Space (rocket Crafters) Eq | USD | VAYA_PVT | 853,328.00 |
| Visoncore Ai Put/call Option | USD | VISONCORE_PVT1 | 145,000.00 |
| Visoncore Ai. 5% Equity | USD | VISONCORE_PVT | 267,897.86 |
| Western Welder Outfitting 5% Equity | USD | WESTERN_PVT | 706,634.90 |
| Western Welder Outfitting Put/call Option | USD | WESTERN_PVT1 | 400,000.00 |
| Woddle Baby. 4% Equity | USD | WODDLE_PVT | 640,000.00 |
| Woddle Baby. Put/call Option | USD | WODDLE_PVT1 | 400,000.00 |
| Wyndo Inc Put/call | USD | WYNDO_PVT | 205,000.00 |
| Wyndo Inc. 5% Equity | USD | WYNDO_PVT1 | 261,522.00 |
| | **SUB TOTAL** | | **52,292,990.80** |
| **GRAND TOTAL** | | | **92,615,044.82** |

**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 BDC are provided in the BDC prospectus. There is no assurance that the BDC 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.

### Shareholder Distributions:

During the three months ended September 30, 2026, the Company reported approximately $900,844 in shareholder distributions, representing distributions to shareholders of record as of June 30, 2026, paid in July 2026. The Company also reported approximately $337,498 in shareholder redemptions, which are accounted for separately from shareholder distributions.

The Company declared a third-quarter shareholder cash distribution of $14.58 per share for shareholders of record as of September 30, 2026, scheduled for payment in October 2026. This distribution relates to a subsequent payment period and is separate from the $900,844 in distributions paid during the third quarter.

The Company intends to continue making distributions consistent with its investment objectives while maintaining sufficient liquidity to support portfolio investments, operating requirements, and other obligations. The timing, amount, and tax characterization of future distributions remain subject to operating results, available cash, taxable income, liquidity requirements, and approval by the Board of Directors. The Company intends to qualify annually as a regulated investment company ("RIC") and generally intends to distribute sufficient taxable income to satisfy applicable distribution requirements. There can be no assurance that future distributions will be maintained at any particular level.

## OTHER INFORMATION

### Legal Proceedings

We are not currently subject to any material legal proceedings. From time to time, we may be involved in routine litigation or administrative proceedings incidental to the conduct of our business, but we are not a party to any such proceedings that we believe would have a material adverse effect on our financial condition or results of operations.

### Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended September 30, 2026, the Company issued shares of common stock in connection with new capital contributions and the reinvestment of Shareholder distributions pursuant to the Company's Dividend Reinvestment Plan (“DRIP”). Aggregate share issuance activity associated with these transactions totaled approximately $1.00 million, consisting of approximately $445,000 in new cash contributions and $558,328 in reinvested distributions and other DRIP-designated activity.

These securities were issued through private placement transactions in reliance upon applicable exemptions from registration under the Securities Act of 1933, as amended. Cash proceeds received by the Company were available to support new and existing portfolio investments, operating requirements, Shareholder liquidity obligations, and general corporate purposes, consistent with the Company's investment objectives and governing documents.

No underwriting discounts or commissions were paid directly by the Company in connection with these issuances. The BDC Manager maintains relationships with sub-advisers and other distribution intermediaries to support the private placement of the Company's securities.

During the quarter, the BDC Manager expanded its distribution relationships through the addition of Peak Capital, GFG Solutions, Fractional Family Office, LSP Advisory, and EG Capital, supplementing its existing relationship with Lyon Wealth Management LLC.

Compensation payable to distribution intermediaries under these arrangements is borne by the BDC Manager from its management fees and is not charged separately to the Company or its Shareholders. Such compensation remains subject to applicable securities laws, regulatory requirements, and the terms of the relevant distribution agreements.

## Supplemental Disclosure / Notes

### 1. Dividend Policy Framework

The Company maintains a distribution policy intended to balance its objective of generating current income for Shareholders with the liquidity requirements, investment opportunities, and long-term capital needs of the Company and its portfolio investments.

The timing and amount of Shareholder distributions are determined with consideration of the Company's operating results, investment income, realized gains, available liquidity, portfolio funding requirements, and other relevant financial and operational factors.

The Company's Dividend Reinvestment Plan (“DRIP”) allows participating Shareholders to reinvest eligible cash distributions in additional Shares of the Company, subject to the terms of the Plan. Reinvested distributions provide an additional source of retained capital that may support the Company's investment activities and liquidity management.

The Company intends to qualify annually for treatment as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code. To maintain RIC qualification, the Company generally must distribute at least 90% of its investment company taxable income, as determined under applicable federal income tax rules. The Company may elect to distribute additional amounts to satisfy other applicable tax requirements.

The Company's distribution policy does not establish or guarantee any particular distribution amount, frequency, or yield. All distributions remain subject to declaration by the Board of Directors, taking into consideration the Company's financial condition, taxable income, available liquidity, investment requirements, and other relevant considerations.

### 2. Status of 2025 Annual Audit

The completion of the Company's annual audit for the fiscal year ended December 31, 2025, has been delayed due to the timing of financial and supporting information received from certain portfolio companies. The availability of this information was necessary for Stanton Park Capital Inc., the Company's independent third-party valuation firm, to complete its year-end portfolio valuation procedures and related certification.

As of October 28, 2026, Stanton Park Capital Inc. has completed its 2025 Valuation Certification Report and delivered the report to Assurance Dimensions, the Company's independent PCAOB-registered auditor, for use in its ongoing audit procedures.

The BDC Manager continues to coordinate with Assurance Dimensions and the Company's service providers regarding the remaining audit requirements and completion of the 2025 audited financial statements.

Although completion of the valuation certification represents an important step in the audit process, the audit remains subject to the auditor's independent review, any additional information requests, and completion of its required procedures. Accordingly, the Company cannot presently assure a specific completion or issuance date.

The BDC Manager will provide additional information regarding the status of the 2025 annual audit as material developments occur.

**3. Continuing Notice Regarding Potential Reorganization**

The Company is evaluating a potential long-term strategic initiative involving the reorganization of CAPQ BDC Inc. into a Delaware statutory trust structure, which may subsequently operate as a public, non-traded BDC. This review remains exploratory, and no decision has been made by the Board of Directors.

The potential reorganization is being assessed to determine whether such a structure could provide:

- Enhanced regulatory clarity;
- Improved operational flexibility;
- Broader access to investor markets; and
- Long-term scalability for the Company's investment strategy.

During the quarter ended September 30, 2026, there were no material developments or changes to the status of this initiative. Management continues to consider the potential long-term strategic and operational implications of such a reorganization, including the regulatory, governance, administrative, and Shareholder considerations that would accompany any proposed change in organizational structure.

No immediate action is expected, and any future reorganization would be subject to Board approval, applicable regulatory requirements, and appropriate communication to Shareholders. This disclosure is provided solely to give advance notice of the Company's evaluation of a potential future reorganization and does not represent a final determination or commitment by the Company to proceed.

## Quantitative and Qualitative Disclosures About Market Risk

The BDC Manager continuously evaluates the Company's exposure to market and investment risks arising from its activities. CAPQ BDC Inc. primarily invests in privately held companies through debt instruments, structured preferred equity, warrants, equity interests, and other contractual investment positions. These investments are generally illiquid, are not publicly traded, and may be subject to significant valuation uncertainty.

The Company does not currently utilize investment leverage, which limits its direct exposure to borrowing costs. Nevertheless, the Company's investment strategy exposes it to interest rate, valuation, credit, liquidity, concentration, and broader market risks, as discussed below.

**Interest Rate Risk**

The Company's private credit investments bear interest at fixed or floating rates, depending on the terms of each financing agreement. Changes in prevailing interest rates may affect the yield on new originations, the fair value of existing debt instruments, and the financial condition of portfolio borrowers.

- **Rising interest rates** may reduce the fair value of fixed-rate debt investments and increase financing costs for portfolio companies.
- **Declining interest rates** may reduce the yields available on newly originated investments, particularly where competitive market conditions result in narrower credit spreads.

Because the Company does not currently utilize borrowings, it is not directly exposed to increases in interest expense associated with investment leverage. However, interest rate changes may indirectly affect portfolio company operations, refinancing opportunities, and investment valuations.

**Valuation Risk**

A substantial portion of the Company's portfolio consists of Level 3 investments valued using significant unobservable inputs and management judgment. Fair value measurements may be affected by:

- Financial performance and operating prospects of underlying portfolio companies;
- Comparable company valuations and market transaction multiples;
- Discount rates, projected cash flows, and financing assumptions;
- Market participant assumptions;
- Contractual terms governing structured equity, warrants, and put/call arrangements; and
- Independent third-party valuation analyses.

The BDC Manager oversees the valuation process and coordinates with Stanton Park Capital Inc., the Company's independent third-party valuation firm. Valuations are determined in accordance with the Company's established valuation policies and procedures, although changes in underlying assumptions may materially affect reported net asset value.

During the quarter ended September 30, 2026, the Company recognized approximately $1.84 million in reductions to previously recognized securities-based investment positions, including interests related to 3ICE Enterprises Inc. and Flora Coatings Inc. These reductions were reflected as negative offsets to Securities-Based Distribution income, consistent with the Company's accounting policies described in Note 5.

The Company also recorded approximately $96,622 in net unrealized depreciation associated with other portfolio valuation adjustments. This amount is separate from the Securities-Based Distribution reductions described above.

These adjustments demonstrate that previously recognized investment values may be reduced as a result of contractual performance conditions, forfeiture or revocation provisions, changes in portfolio company financial conditions, or changes in valuation assumptions. Such reductions may occur even when the Company has not deployed cash investment principal to acquire the affected advisory equity interests.

**Credit Risk**

The Company is exposed to the risk that portfolio companies may fail to meet their payment obligations or experience operational or financial distress. Such events may reduce the fair value of debt investments, impair the collection of principal or interest, or require restructuring of investment terms.

The BDC Manager monitors credit exposure through portfolio company financial reporting, communication with management teams, investment performance reviews, and participation in capital structure decisions where appropriate.

Credit risk also extends to contractual investment rights and structured equity positions, where the Company's ability to realize value may depend on a portfolio company's financial condition, access to additional financing, and capacity to satisfy contractual obligations.

The Company's “Last Money In” investment philosophy may allow certain advisory equity and contractual positions to be established through Capital Partnership Offers without an initial cash investment to acquire those interests. While this may limit the Company's initial cash exposure to such positions, it does not eliminate the risk of impairment, loss of recognized economic value, or losses associated with any separate cash-funded investments.

**Liquidity Risk**

The Company invests primarily in privately negotiated, illiquid securities that generally cannot be readily sold or exchanged for cash and are not traded on public markets. Potential investment realization and liquidity mechanisms may include:

- Contractual redemption or repurchase arrangements;
- Portfolio company refinancing, recapitalization, or sale transactions;
- Exercise or settlement of contractual put/call rights;
- Private secondary transactions; or
- Long-term realization of equity investment value.

These mechanisms are subject to contractual conditions, market conditions, counterparty performance, and the financial capacity of the underlying portfolio companies. There can be no assurance that any particular investment will be realized within an anticipated timeframe or at its reported fair value.

During the third quarter ended September 30, 2026, capital formation and fund distribution activity remained below management's expectations, while existing portfolio company financing requirements and prospective investment opportunities continued to create demands on available capital.

As a result, the BDC Manager continued to prioritize liquidity management and the selective allocation of available capital among existing portfolio investments, prospective new transactions, Shareholder distributions, and other Company obligations.

The Company continued to maintain distribution relationships intended to support future capital formation, including Peak Capital, GFG Solutions, Fractional Family Office, LSP Advisory, EG Capital, and Lyon Wealth Management LLC. These relationships do not assure any particular level or timing of future Shareholder subscriptions.

Investors should expect limited short-term liquidity from portfolio asset sales due to the private and generally long-duration nature of the Company's investments. The BDC Manager intends to continue balancing capital deployment with available liquidity, anticipated cash receipts, Shareholder obligations, and portfolio funding requirements.

**Concentration Risk**

As of September 30, 2026, the Company maintained investments across venture capital, private credit, and private equity. Notwithstanding this diversification among asset classes, the portfolio remains subject to concentration risks associated with individual portfolio companies, industries, investment structures, and sources of investment income.

- Material exposure to particular industries or market segments;
- Reliance on income or distributions from certain portfolio companies;
- Significant investment positions in individual private companies;
- Concentrations in structured equity or contractual investment rights; and
- Common economic or financing conditions affecting multiple portfolio companies.

The BDC Manager seeks to manage concentration risk through investment underwriting, portfolio monitoring, diversification efforts, and investment committee review. These practices do not eliminate the possibility that adverse developments affecting a particular investment or industry could materially affect the Company's results or net asset value.

**Market Volatility Risk**

Although the Company invests primarily in privately held securities, broader economic and financial market conditions may indirectly affect portfolio company performance and investment valuations.

Relevant factors include:

- Changes in public and private market valuation multiples;
- Economic conditions affecting portfolio company revenue, profitability, and operating performance;
- Changes in credit availability, refinancing conditions, and private capital formation;
- Volatility in private investment valuations; and
- Changes in investor demand for venture capital, private credit, and private equity investments.

Periods of reduced capital availability may adversely affect portfolio companies that require additional financing to sustain operations, execute business plans, or achieve development milestones.

Because many of the Company's investments are illiquid, changes in reported fair value may occur without a corresponding sale or other realization event.

**Material Changes to Risk Factors**

Except as supplemented by the matters described herein, the risk factors previously disclosed in the Company's Private Placement Memorandum and prior Quarterly Supplemental filings remain applicable.

The third-quarter reductions to previously recognized Securities-Based Distribution income and continued capital formation challenges underscore the importance of risks associated with portfolio company financing, contractual performance conditions, investment valuations, liquidity, and the realization of contractual investment rights.

The BDC Manager continues to evaluate risks associated with the Company's investment strategy, portfolio composition, valuation practices, liquidity requirements, and operating environment.

Investors should carefully review the risk factors contained in the Company's Private Placement Memorandum together with this Supplemental and prior disclosures, as these documents collectively describe risks that could adversely affect the Company's business, financial condition, results of operations, and net asset value.

**Internal Control Over Financial Reporting**

The BDC Manager maintains policies and procedures designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

During the quarter ended September 30, 2026, management did not identify any changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's financial reporting processes.

**Ongoing Monitoring and Oversight**

The BDC Manager continues to monitor the Company's financial reporting, portfolio valuation, and risk-management processes. These oversight activities include:

- Coordination with Stanton Park Capital Inc., the Company's independent third-party valuation firm;
- Coordination with third-party fund administrators responsible for accounting, financial reporting, and related administrative functions;
- Application of the Company's established valuation policies and procedures;
- Periodic review of portfolio investment valuations, including material changes in underlying portfolio company circumstances; and
- Ongoing portfolio monitoring, investment performance assessment, and risk-management procedures.

The BDC Manager intends to maintain and periodically evaluate these oversight procedures to support the consistent application of the Company's accounting policies, valuation methodologies, and financial reporting requirements.

## UPDATED INFORMATION

The BDC is not currently subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith. Therefore, we do not file reports, including annual audited and interim unaudited financial statements, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Updates to this PPM, along with voluntary Quarterly Supplemental Updated Information is available free of charge to download from the company's website at:

**https://capitalqventures.com/capq-bdc/**

**By requests via email to: admin@capitalqventures.com**

**By standard mail at:**

**CAPQ BDC Inc. Investor Relations 100 East Faith Terrace, Suite 1016, Maitland FL 32751**

# 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 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 who: (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 HAS 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 UNDER THE SECURITIES ACT OF 1933, AS AMENDED 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 ENSGTI 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 10% of the net proceeds per share, as stated in this Memorandum. It was resolved by the Board of Directors that the BDC Manager will automatically adjust the Offering Price to match the trailing 2nd Quarter NAV at each closing quarter. This automatic adjustment will be deferred if the BDC experiences a declining quarter, in which case the BDC Manager will consult the Board to determine the appropriate Offering Price. This motion was initiated by Chairman Michael Quatrini and seconded by Director Micah Strader, with all present board members voting in affirmation.

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.

## EXECUTIVE SUMMARY

### 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 Fund®".

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 Fund®.

### 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 10, 2020, to operate as a private (non-publicly traded) "Full-Stack Venture Capital Fund®", 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**

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| ***The BDC:*** | CAPQ BDC Inc. d/b/a Capital Q® Business Development Company<br>100 East Faith Terrace, Suite 1016<br>Maitland, Florida 32751<br>Tel: 407.307.2277 |
| ***The BDC Manager:*** | **Capital Q® Management LLC**<br>100 East Fait Terrace, Suite 1016<br>Maitland FL 32751 |
| ***Legal Counsel*** | **Morrison & Foerster LLP**<br>2100 L Street, NW<br>Suite 900<br>Washington, D.C. 20037<br>P (202) 887-1500<br>F (202) 887-0763 |

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| *Administnrator:* | **NAV Fund Administration Group**<br>1 Trans Am Plaza Drive, Suite 400<br>Oakbrook Terrace, IL 60181<br>P: 1.630.954.1919,<br>capitalq@navbackoffice.com |
| *Audit:* | **Assurance Dimensions, LLC (PCAOB ID#5036)**<br>4920 West Cypress Street, Suite 102,<br>Tampa, FL 33607 |
| *Valuation:* | **Stanton Park Capital Inc.**<br>Boston Office -867 Boylston Street, Suite 500, Boston, MA 02116 Silicon Valley Office 1232 Crane Street, Menlo Park, CA 94025) |

## INVESTMENT PROGRAM

**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 Fund®". 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 though M&A, secondary sales and/or IPOs for the Company's equity harvest strategies.

**THE "FULL-STACK VENTURE CAPITAL FUND® " 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 Fund® 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 Fund® 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 Funds® 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 Fund®" 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 FUND® 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 Fund*® 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 Funds® 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 Funds® participate in several different strategies depending on which part of the financial lifecycle they want to attack. Over-time Full-Stack Venture Capital Funds® 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 Funds® 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 Funds® 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 Funds® 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 Fund®, 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 Fund® 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® 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 (SEC) 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® 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®". 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

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.

**Dr. Alvaro Martin, MD (Independent):** Dr. Alvaro Martin is a highly skilled and dedicated board-certified physician specializing in Pulmonary Medicine and Critical Care. With extensive experience in advanced bronchoscopy, pulmonary rehabilitation, and critical care, Dr. Martin brings invaluable medical and clinical expertise to CAPQ BDC Inc. His deep understanding of complex respiratory conditions and critical care management uniquely positions him as a key asset for companies within our healthcare and medical sector portfolio.

Dr. Martin’s professional journey includes his role as the Medical Director of Pulmonary Rehabilitation at AdventHealth Altamonte Hospital and the Director of the Lung Nodule Program at Central Florida Pulmonary Group. He is known for his advanced skills in diagnostic and therapeutic procedures, including endobronchial ultrasound, robotic bronchoscopy, and tumor debulking. These competencies allow him to offer strategic insights into healthcare technologies, particularly for venture-backed companies focused on medical devices, pulmonary health, and critical care solutions.

As a leader in the medical community, Dr. Martin is also deeply committed to the advancement of evidence-based practices and innovation in healthcare. His academic background, with honors from Universidad Dr. Jose Matias Delgado, and his fellowship in Pulmonary and Critical Care Medicine at Westchester Medical Center, further bolster his ability to guide medical ventures toward groundbreaking and sustainable outcomes.

Dr. Martin’s ability to collaborate effectively with multidisciplinary teams, coupled with his fluency in English, Spanish, and German, enhances his capacity to advise global healthcare companies in the CAPQ BDC portfolio. He is particularly well-positioned to support the development of medical innovations and startups in the medical and critical care space, offering guidance on clinical efficacy, product development, and healthcare regulations.

**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.

On June 30, 2023, CAPQ BDC Inc. announced the Nomination of a new independent seventh Board of Directors, to be confirmed upon Shareholder Resolution. 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.

**John W. McRoberts (Independent):** Mr. McRoberts has served in a consulting capacity in the field of healthcare-related real estate financing, acquisitions and sales from 2020 through the present time. Mr. McRoberts formerly served as founder, Chief Executive Officer and Chairman of the Board of MedEquities Realty Trust (NYSE:MRT), a healthcare Real Estate Investment Trust (REIT), from its formation in 2014 through 2019 when it was successfully monetized via an acquisition by Omega Health Investors (NYSE:OHI). Mr. McRoberts has over 34 years of experience in financing, acquiring, and disposing of healthcare-related, income producing real estate properties. He also has founded, acquired, expanded and/or monetized several businesses, including a healthcare REIT, an inpatient rehabilitation and long-term acute care hospital company and a home health and hospice company. Mr. McRoberts was a co-founder, President and CEO of Capstone, a Birmingham, Alabama-based, an earlier healthcare REIT that became publicly traded in 1994 and was sold to Healthcare Realty Trust Incorporated (NYSE:HR) in 1998. After Capstone, Mr. McRoberts founded Forsite, LLC, a communications tower company that was sold to Allied Capital (NYSE: ALD) in 2005. In 2001, Mr. McRoberts invested in, and subsequently become President and CEO of, MeadowBrook Healthcare, Inc., a private company that purchased and operationally restructured four under-performing hospitals that were subsequently sold in July 2005 to RehabCare Group (NYSE: RHB) and the real estate to SunTrust Corp (NYSE: STI). In April 2007, Mr. McRoberts acquired a controlling interest in Care First, Inc., a Birmingham, Alabama-based provider of home health and hospice services, which he sold in February 2015. From October 2010 to April 2012, Mr. McRoberts served as President of, and subsequently as a consultant for, Carter Validus Advisors, LLC, the advisory company to Carter Validus Mission Critical REIT (now Sila Realty), where he was involved in sourcing acquisitions and sourcing and structuring mezzanine financings on healthcare properties. Prior to his affiliation with Capstone, Mr. McRoberts spent 16 years with AmSouth Bank (now Regions Corp) in Birmingham, Alabama, where he served in several management capacities related to general commercial lending, including serving as the head general corporate banking in the greater Birmingham area, as well as head of communications lending and head of healthcare lending. Mr. McRoberts holds both a Bachelor's Degree in Business and a Master of Arts in Finance from The University of Alabama. (Source: MedEquities Realty Trust, Inc. on 04/28/2019)

## 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.

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|---|---|
| **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 10, 2020 to operate as a private (non-publicly traded) Full-Stack Venture Capital Fund®.

**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 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.

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 COMMISIONS**

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.

**CUSTODY:**

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 POCKET INVESTMENTS**

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.

**LIMITATION OF LIABILITY:**

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 latter date of the first sixty (60) months of the BDC's operations or twenty-four (24) months after the shareholder's initial investment (the "***Lock-Up***"), the BDC will generally permit redemptions to each Shareholder of the cash proceeds reallocated to such Stockholder's Capital

**DISTRIBUTIONS:**

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.

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| **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.<br><br>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:** | CAPQ BDC Inc. has appointed, Assurance Dimensions, LLC, as its Audit Firm a PCAOB-registered auditor (PCAOB ID#5036), located at 4920 West Cypress Street, Suite 102, Tampa, FL 33607, United States and as ongoing commitment to uphold the highest standards of financial transparency and regulatory compliance.<br><br>Assurance Dimensions, LLC brings extensive experience and a proven track record in handling complex audit environments, particularly within the securities industry. Their expertise is expected to enhance the robustness and clarity of our financial disclosures, ensuring that all financial reporting continues to meet the rigorous demands of our investors and regulatory bodies. 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. (see "*Auditor*") |
| **INDEPENDENT VALUATION FIRM** | In keeping with our commitment to uphold the highest standards of transparency and governance, CAPQ BDC Inc. has created a significant enhancement to our valuation process. Following careful consideration and a formal approval process, the Board of Directors has appointed Stanton Park Capital Inc. as our Independent Valuation Firm. This strategic partnership underscores our dedication to providing accurate and reliable valuations of our portfolio assets, thereby ensuring that all stakeholders benefit from the most credible and up-to-date financial information. Stanton Park Capital Inc.'s recognized expertise and unbiased assessments will play a crucial role in supporting our mission to deliver sustainable investor value. (see "*Valuation of Investments*") |
| **ADMINISTRATOR:** | On the effective date February 1st, 2024, NAV Consulting, Inc. (the "Administrator" or "NAV") has been engaged as the administrator of the BDC pursuant to a Service Agreement entered with the BDC (the "NAV Agreement"). (See *"Administrator")* |
| **LEGAL COUSEL** | Morrison & Foerster LLP, Washington, D.C., serves as the Company's legal counsel. |

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| **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

*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 in this offering has been set, utilizing the expertise of an independent valuation firm. Suggestive valuation of portfolio assets, in particular Level 3 assets, which are financial assets that are difficult to value and trade and are often held by institutional investors, may be based on projections and estimates. They are also known as Level 3 assets because they are valued using models, assumptions, and other techniques that are not easily observable. For Level 3 assets, such as venture capital, private equity valuations we use International Private Equity and Venture Capital Valuation ("IPEV") Guidelines with financial modeling approved by the independent valuation firm, and created in conjunction with our management, drawing from factors such as forward looking financial projections reported from portfolio companies and/or last trading value from institutional or other accredited investors, which may be used to establish our Net Asset Value (NAV) estimates, as calculated by our BDC Manager, our Administrator and confirmed by our independent valuation firm. The cumulative expertise of our independent valuation firm, officers and directors, and prevailing market conditions for equity securities within similar Business Development Companies (BDCs) has been relied on to set the valuation and hence our Offering Price. Importantly, the set offering price will not exceed our estimated NAV. These estimates have been grounded on the best effort judgments made by our BDC Manager in collaboration with our independent valuation firm 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. It

was resolved by the Board of Directors that the BDC Manager will automatically adjust the Offering Price to match the trailing 2nd Quarter NAV at each closing quarter. This automatic adjustment will be deferred if the BDC experiences a declining quarter, in which case the BDC Manager will consult the Board to determine the appropriate Offering Price based on the then NAV. This motion was initiated by Chairman Michael Quatrini and seconded by Director Micah Strader, with all present board members voting in affirmation to this Offering Price methodology.

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

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, with the assistance of an independent valuation firm, as may be appointed by the Board of Directors, but in any case, no less than quarterly.

In keeping with our commitment to uphold the highest standards of transparency and governance, CAPQ BDC Inc. announced a significant enhancement to its valuation process. Following careful consideration and a formal approval process, the Board of Directors has appointed Stanton Park Capital Inc. as our independent valuation firm. This strategic partnership underscores our dedication to providing accurate and reliable valuations of our portfolio assets, thereby ensuring that the BDC Manager and all stakeholders benefit from the most credible and up-to-date financial information. Stanton Park Capital Inc.'s recognized expertise and unbiased assessments and will play a crucial role in supporting our mission to deliver sustainable investor value.

**About Stanton Park Capital Inc.** Stanton Park Capital Inc. (Boston Office -867 Boylston Street, Suite 500, Boston, MA 02116 | Silicon Valley Office 1232 Crane Street, Menlo Park, CA 94025) is a premier provider of business valuation services, strategically based in Boston, Massachusetts, and Menlo Park, California. Specializing in Certified Business Valuation Reports, their team of seasoned valuation professionals boasts a track record of advising over 1,000 clients across a diverse spectrum of sectors, collectively representing billions in aggregate value. Their extensive expertise encompasses a wide array of industries, from technology and business services to manufacturing, consumer goods, and distribution. This broad industry exposure ensures that Stanton Park Capital Inc. delivers insightful and precise valuations, supporting clients through critical financial assessments and strategic decision-making.

**The Role of an Independent Valuation Firm in BDC Operations**: An independent valuation firm, such as Stanton Park Capital Inc., is integral to the BDC, in providing unbiased asset valuations that ensure compliance with financial regulations and enhance transparency in the BDC Manager's financial reporting. These valuations are crucial for the BDC Manager to accurately report Net Asset Value within the financials, supporting the BDC's commitment to providing shareholders with clear and reliable assessments of the fund's portfolio value. This rigorous valuation process underpins the trust and confidence of investors, facilitating informed investment decisions and strategic fund management within the BDC.

Each Shareholder'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 values provided by the Independent Valuation Firm utilizing International Private Equity and Venture Capital Valuation ("IPEV") Guidelines, which may be cost, as reasonably determined by the BDC Manager with the assistance of the Independent Valuation Firm so appointed by the Board of Directors.

The foregoing Independent Valuation Firm interpretation of the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines may be modified by the BDC Manager, with the approval and assistance of the Independent Valuation Firm, 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 any previous or current fair 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

**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

**Legal Counsel**

Mo Morrison & Foerster LLP, Washington, D.C., **serves as** the Company's legal counsel.

**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 Assurance Dimensions, LLC 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.

Assurance Dimensions, LLC is a PCAOB-registered accounting firm known for its comprehensive audit and assurance services. The firm specializes in delivering high-quality audit services to public and private companies across various industries.

**Services Offered:**

- **Auditing and Assurance:** Assurance Dimensions provides services including financial statement audits, single audits, employee benefit plan audits, and reviews.

**Reputation:** With a commitment to integrity and quality, Assurance Dimensions is recognized for its professional diligence and adherence to the highest standards of audit practice. The firm's PCAOB registration underscores its capability to handle complex audits in accordance with strict regulatory requirements, making it a trusted partner for companies looking to ensure financial transparency and regulatory compliance.

**Location and Reach:** Based in Tampa, FL, Assurance Dimensions serves clients both locally and nationwide, offering personalized services designed to meet the specific needs of each client, fostering long-term relationships built on trust and mutual respect.

Assurance Dimensions, LLC will not be responsible for valuation of portfolio assets which is the responsibility of the BDC Manager and/or its independent valuation firm duly appointed, if any.

**Administrator**

On the effective date February 1st 2024, NAV Consulting, Inc. (the "Administrator" or "NAV") has been engaged as the administrator of the BDC pursuant to a Service Agreement entered into with the BDC (the "NAV Agreement"). The Administrator is responsible for, among other things, calculating the BDC's net asset value, performing certain other accounting, back-office, data processing, processing subscriptions, redemptions, and transfer activities of Investors in the BDC, certain anti-money laundering functions and related administrative services.

The NAV Agreement provides that the Administrator shall not be liable to the BDC, any Investor or any other person in the absence of a finding of willful misconduct, gross negligence, or fraud on the part of NAV. Furthermore, BDC shall indemnify and hold harmless the Administrator, its affiliates, and their respective officers, directors, shareholders, employees, agents and representatives (collectively, the "NAV Parties") from and against any liability, damages, claims, loss, cost or expense, including, without limitation, reasonable legal fees and expenses (individually, "Loss" and collectively, "Losses") arising from, related to, or in connection with the services provided to the BDC pursuant to the NAV Agreement, unless any such Losses are the direct result of the willful misconduct, gross negligence or fraud of NAV. In no event shall NAV have any liability to the BDC, any Investor or any other person or entity which seeks to recover alleged damages or losses in excess of the fees paid to NAV by the BDC in the one year preceding the occurrence of any loss, nor shall NAV be liable for any indirect, incidental, consequential, collateral, exemplary or punitive damages, including lost profits, revenue or data, regardless of the form of the action or the theory of recovery, even if NAV has been advised of the possibility of such damages or such damages were foreseeable. Any claim brought against NAV in connection with the NAV Agreement will be barred unless it is initiated within one year of the earlier of the disclosure of the event which is the subject of such claim or the date that the party advancing such claim knew or could with due inquiry have known of such event.

NAV shall not be liable to the BDC, any Investor or any other person for the actions or omissions of any agent, contractor, consultant or other third party performing any portion of the services under the NAV Agreement absent a finding of gross negligence or fraud on the part of NAV in appointing such agent, contractor, consultant or other third party.

NAV shall not be liable to the BDC, any Investor or any other person for actions or omissions made in reliance on instructions from the BDC or advice of legal counsel.

The services provided by NAV are purely administrative in nature. NAV has no responsibilities or obligations other than the services specifically listed in the NAV Agreement. No assumed or implied legal or fiduciary duties or services are accepted by or shall be asserted against NAV. NAV does not provide tax, legal, investment or accounting advice. NAV has no duty to communicate with Investors other than as set forth in Exhibit A of the NAV Agreement. NAV does not have custody of BDC's assets, it does not verify the existence of, nor does it perform any due diligence on the BDC's underlying investments, including, investments in or via related or affiliated entities. In connection with the payment processing functions, NAV shall not be responsible for performance of the due diligence on payment recipients other than in connection with payments for Investors' withdrawals from the BDC, which are subject to anti-money laundering review functions of the services.

The NAV Agreement also provides that it is the obligation of The BDC Manager, and not of NAV, to review, monitor or otherwise ensure compliance by the BDC with the investment policies, restrictions or guidelines applicable to it or any other term or condition of the BDC's offering documents, including, without limitation, with its valuation policy or the BDC's stated investment strategy, and with laws and regulations applicable to its activities. The BDC Manager's responsibility for the management of the BDC, including without limitation, the valuation of the BDC's assets and liabilities, including, defining and maintaining the valuation policy and for fair valuing the BDC's assets, the oversight of the services provided by NAV and the review of work product delivered by NAV shall not be affected by or limited by any of the services provided by NAV.

The NAV Agreement provides that NAV is entitled to rely on any information, including valuation information, received by NAV from the BDC, The BDC Manager or other parties, including without limitation, broker-dealers and data vendors, without independent verification, audit, review, inquiry, or performing other due diligence and NAV shall not be liable to the BDC, any Investor or any other persons for losses suffered as a result of NAV relying on incorrect information. NAV has no responsibility to review, independently value, verify, compare to other pricing sources or otherwise perform due diligence on the valuation information. NAV may accept such information as accurate and complete without independent verification. Furthermore, NAV shall not be liable to the BDC, any Investor or any other person for any loss incurred as a result of an error or inaccuracy of any valuation information received from the BDC or from any pricing or valuation service or data service provider or delay, interruption in service or failure to perform of any pricing or valuation service or data service provider used by NAV.

Where the BDC makes investments via related entities, to produce net asset value calculation, NAV will use the valuation information of such intermediate, related entities. The valuation information of the intermediate, related entities may be provided by the BDC's manager or the manager of the intermediate, related entities. NAV is not responsible for performing any due diligence on any of the BDC's investments, including, the intermediate, related entities and for verifying the existence of the end investments. The BDC is responsible for the completeness of records, documents and information provided to NAV to perform the Services.

The BDC acknowledges the challenges in performing Services for investments in cryptocurrency due to the nature of this asset class, including its anonymity and opaqueness among other factors. Due to these factors and the fact that cryptocurrency is in the early stages in its life, NAV may not have independent access to information in the same manner as it does for traditional assets and has to rely on the information provided by the management of the BDC.

The BDC agrees that NAV has no responsibility to verify, confirm or validate the existence, ownership or control of any cryptocurrency asset held by the BDC. To determine BDC's positions in cryptocurrency in connection with the Services, NAV will rely on The BDC Manager representations about said positions. The representation by The BDC Manager NAV is entitled to rely on, includes, without limitation, the position information of: 1. cryptocurrency held in cold wallet, in the BDC's exchange account, or in the BDC's account with cryptocurrency custodian, 2. the initial coin offerings ("ICOs"), 3. cryptocurrency traded over-the-counter, 4. cryptocurrency received due to forks, airdrops or similar transactions, and 5. cryptocurrency acquired from BDC's mining. If the BDC holds the cryptocurrency in cold wallet, NAV may confirm the amount of cryptocurrency reported on the respective blockchain for the public key of the BDC, provided that given cryptocurrency has a public blockchain and a public key to such blockchain was given by the BDC or its BDC's management to NAV. Having said that, the BDC acknowledges that it is not possible for NAV to determine whether a public key belongs to the BDC. Provided that NAV receives read only access or read only API access, NAV may also confirm BDC's holdings based on the information apparent via such read only access or read only API access to the BDC's exchange accounts or BDC's accounts hosted by cryptocurrency custodians. Having said that, the BDC acknowledges that it is not possible for NAV to determine whether the API key belongs to the BDC. Shall the BDC engage in investing in the ICOs, the holdings in the ICOs and pre-sales may not be visible to NAV between the time of funding and the closing of the ICO. Accordingly, to perform the Services, for the holdings in the ICOs and pre-sales, NAV will rely solely on The BDC Manager representations regarding said positions. NAV may rely on the trade confirmations received from The BDC Manager's and other counterparties for the OTC transactions. Shall the BDC engage in mining of cryptocurrency, NAV will not independently verify or otherwise perform any due diligence to determine that the cryptocurrencies acquired from mining were actually obtained as a result of BDC's mining activity and not from any other source. The BDC may receive assets due to forks, airdrop or similar transactions. NAV will not verify these transactions independently but will rely solely on the information provided by the BDC Manager for these transactions. NAV may include in the BDC's net asset value assets due to forks, airdrops and similar transactions based on The BDC Manager representations, even though, these assets may not be reported by the exchanges in the BDC's exchange accounts or wallets. The assets due to forks, airdrops and similar transactions may be allocated to the BDC's exchange or wallet accounts with delays, however, there is a possibility that the BDC may not receive these assets during the BDC's lifetime. The BDC acknowledges and agrees that NAV will not be required to independently ascertain, confirm nor verify the accuracy of the representations, confirmations and other information relied on by NAV discussed in this paragraph in performing the Services. NAV shall not be liable to the BDC, Investors or any other persons for losses suffered as a result of NAV's reliance on the aforementioned representations and other information relied.

The BDC acknowledges challenges in obtaining valuation information for digital assets. To provide the Services, NAV will rely on prices published by the cryptocurrency exchanges. Each cryptocurrency may be traded on various cryptocurrency exchanges and there may be significant variations between the prices of the same cryptocurrency traded on different cryptocurrency exchanges. NAV will rely on The BDC Manager to select the exchange to be used as a source for valuation of each cryptocurrency and to decide what valuation point to use. Before being listed on an exchange, any ICOs and cryptocurrency acquired from BDC's mining activities will be priced at cost or fair value as determined by The BDC Manager. The cost of mining shall be determined by The BDC Manager. The BDC acknowledges and agrees that NAV has no responsibility to independently verify or otherwise perform any due diligence on the cost of mining valuations. Once an ICO is listed on an exchange, NAV will rely on The BDC Manager to select the source exchange and will use the prices published on that exchange. The BDC acknowledges and agrees that NAV has no responsibility to review, independently value, verify, compare to other pricing sources or otherwise perform due diligence on the cryptocurrency valuation information and makes no representations or warranties with respect to its accuracy. The BDC agrees that it is the responsibility of the BDC Manager of the BDC, and not NAV, to verify whether the exchanges selected by The BDC Manager as a valuation source or used for trading are operating lawfully, including, whether they are required to be registered with a regulator or whether they are registered.

The Service Agreement provides that the Services, including the anti-money laundering services provided by NAV, do not encompass monitoring of BDC's trading activity for the purposes of detecting or preventing money laundering. NAV Consulting, Inc. is not responsible for monitoring transactions effected by The BDC Manager to ensure compliance with the applicable AML laws and regulations. NAV Consulting, Inc. does not monitor BDC's trading activities for the purposes of assuring compliance with OFAC Sanctions programs. For avoidance of doubt, for the purposes of this paragraph, trading shall

include acquisition of cryptocurrency from mining, forks, airdrop and similar transactions or participating in an ICO. In addition, shall the BDC accept the payments for subscriptions or redemptions in-kind in cryptocurrency, the BDC acknowledges that NAV is not able to confirm, verify, or ascertain the source of in-kind payments in cryptocurrency due to the anonymity of cryptocurrency and the BDC agrees that NAV shall not be responsible for monitoring such transactions for the purposes of detecting or preventing money laundering.

The information on investor statements and other reports produced by NAV shall not be considered an offer to sell or a solicitation of an offer to purchase any interest in the BDC, nor may it be used to induce or recommend the purchase or holding of any interest in the BDC.

The NAV Agreement bars non-parties from asserting third party beneficiary claims against NAV.

The BDC pays NAV fees out of the BDC's assets, generally based upon the size of the BDC, in accordance with NAV's standard schedule for providing similar services, subject to a monthly minimum.

Either party may terminate the NAV Agreement on 180 days' prior written notice as well as on the occurrence of certain events.

Investors may review the NAV Agreements by contacting the BDC; provided, that NAV reserves the right not to disclose the fees payable thereunder.

NAV is not responsible for the preparation of this Confidential Memorandum or the activities of the BDC and therefore accepts no responsibility for any information contained in any other section of this Confidential Memorandum.

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Please note email is always preferred to speed response and avoid delays.

## QUALIFICATION OF INVESTORS

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

**<u>CIRCULAR 230 NOTICE</u>. 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[1] (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 the underlying assets of the entity.

[1] References hereinafter made to ERISA include parallel references to the Code.

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.

## RESTRICTIONS ON TRANSFER OF SHARES

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.

## LEGAL MATTERS

Morrison & Foerster LLP, Washington, D.C., serves as the Company's legal counsel.

## INDEPENDENT AUDITORS / EXPERTS

***Assurance Dimensions – PCAOB Registered Public Accounting Firm***

The Company's financial statements for the applicable fiscal periods have been audited by **Assurance Dimensions**, an independent registered public accounting firm with the **Public Company Accounting Oversight Board (PCAOB)**. Assurance Dimensions serves as the Company's external auditor and is responsible for performing the audit of the Company's annual financial statements in accordance with the standards of the PCAOB.

Assurance Dimensions has reported to the Company that it is independent with respect to the Company within the meaning of the Securities Exchange Act of 1934 and the applicable rules and regulations of the SEC and the PCAOB. The audited financial statements included in, or incorporated by reference into, this Memorandum have been included in reliance upon Assurance Dimensions' report as experts in accounting and auditing.

No person or entity, other than Assurance Dimensions with respect to its audit of the Company's financial statements, is being named as having prepared or certified any portion of the financial information contained in this Memorandum. Assurance Dimensions has not been engaged to provide, and does not provide, valuation services for the Company's assets.

## ADDITIONAL INFORMATION

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.

**Offering Price Automatic Adjustment: (Implemented November 1st , 2024)**

**Board of Directors Resolutions - Date: October 25, 2024**

During the latest quarterly board meeting held on October 25, 2024, the Board of Directors of CAPQ BDC Inc., passed a continuing resolution that is instrumental to the strategic and operational alignment of the company with regards to its offering price.

**Resolution 1: Adjustment of Offering Price**

The Board discussed the adjustments of the Offering Price to automatically be in line with the trailing 2nd Quarter Net Asset Value (NAV). It was resolved that the BDC Manager will automatically adjust the Offering Price to match the trailing 2nd Quarter NAV at each closing quarter. This automatic adjustment will be deferred if the BDC experiences a declining quarter, in which case the BDC Manager will consult the Board to determine the appropriate Offering Price. This motion was initiated by Chairman Michael Quatrini and seconded by Director Micah Strader, with all present board members voting in affirmation.

Amendment Supplemental No. 12 ("Supplement") served as an official notification to amend the Offering Price of the Confidential Private Placement Memorandum ("Memorandum") issued by Capital Q Management LLC (the "BDC Manager").

1) **Offering Price Revision:**
   a) This adjustment was sought to align with the Board Resolution to set the trailing 2nd Quarter NAV**.**
   b) The revised Offering Price, while still at a discount to the BDC's then NAV, is intended to safeguard against undue dilution to the benefit of our existing shareholders when admitting new investors into the BDC.
2) **Authority to Adjust Offering Price:**
   a) The Board of Directors retains the discretionary authority to modify the Offering Price per share. Such modifications may either increase or decrease the Offering Price, but it shall never surpass the Net Asset Value ("NAV"), as periodically determined by the BDC Manager. This applies, particularly if our NAV per share: (i) increases more than 10% of the net proceeds per share, as stated in this Memorandum or (ii) declines more than 10% from the NAV per share as of the effective date of the offering.
3) **Reference to Risk Factors:**
   a) For an elaborate discussion on the implications and potential risks associated with the Offering Price, prospective and existing investors are directed to review the section titled "Risk Factors: Offering Price" in the Memorandum.

## PRIVACY NOTICE

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.

## Updated Information

The BDC is not currently subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith. Therefore, we do not file reports, including annual audited and interim unaudited financial statements, proxy statements and other information with the Securities and Exchange Commission (SEC). Updates to this PPM along with voluntary Quarterly Supplemental Updated Information is available free of charge to download from the company's website at https://capitalqventures.com/capq-bdc-inc/ or by requests via email to: admin@capitalqventures.com or by mail at:

CAPQ BDC Inc.
Investor Relations
100 East Faith Terrace Suite 1016 Maitland FL 32751

**EXHIBIT A BDC MANAGEMENT AGREEMENT**

**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 10th day of March 2020 by and among Capital Q Management LLC, a Florida limited liability company, as the BDC Manager and a BDC Investor.

**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 10, 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 INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE 1940 ACT), FILED PURSUANT TO SECTION 54(a) OF THE ACT AND QUALIFIED AS A BDC FOR AN INITIAL PUBLIC OFFERING OR ALTERNATIVLEY 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.

## ARTICLE II – ADMISSION OF INVESTORS; CAPITALIZATION

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.

## ARTICLE III – CAPITAL ACCOUNTS; PROFITS AND LOSSES

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

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 latter date of the first sixty (60) months of the BDC's operations or twenty-four (24) months after the shareholder's initial investment (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

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 Company Act of 1940, as amended (the 1940 Act) 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

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

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

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 Manager 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 Quatirni

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*).

"***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.

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

"***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.

"***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 using International Private Equity and Venture Capital Valuation ("IPEV") Guidelines or if considered as having no ascertainable market value, shall be valued at cost or fair value based on information available to the BDC Manager, utilizing an independent valuation firm, if so appointed by the Board of Directors, 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 or the adjusted IPEV Valuation as confirmed by the independent valuation firms, if appointed by the Board of directors.

(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.

"***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.

"***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.

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.

**Partnerships** are required to provide a copy of the state registration of the Partnership along with a copy of the signed Partnership agreement identifying the General Partner and/or the designate empowered to sign the Subscription Documents. We also request a list of individuals or entities who own over 25% of the Partnership with their names and country of citizenship.

**Trusts** are required to provide a full copy of the trust agreement or relevant portions thereof including the grantor declarations page and signature pages, and any other portions showing appointment and authority of trustee(s). A photocopy of a valid US Driver's License or State ID, or a copy of a valid Passport will also be required for the individual trustees. We also request a list of individuals or entities whose beneficial ownership is over 25% of the Trust with their names and country of citizenship.

**Corporations** are required to provide a copy of the state registration of the corporation along with a copy of its articles of incorporation. Also, a list of officer signatures or signed, certified corporate resolutions identifying the corporate officer(s) empowered to sign the Subscription Documents will be required. We also request a list of individuals or entities who own over 25% of the corporation with their names and country of citizenship.

**LLC** Investors are required to provide a copy of the state registration of the LLC along with a copy of the signed operating agreement identifying the Managing Member(s) empowered to sign the Subscription Documents. We also request a list of individuals or entities who own over 25% of the LLC with their names and country of citizenship.

**Custodial accounts (such as IRAs)** are required to provide the identification documentation for the custodian such as copy of the state registration of the corporation along with a copy of its articles of incorporation, along with the identification documentation for the beneficiary, for example, a photocopy of a valid US Driver's License or State ID, or a copy a valid Passport. In lieu of the identification documentation for the beneficiary, the custodian can provide an AML Letter.

**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: _____<br>(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.

| | |
|---|---|
| _____<br>Signature of Custodian (if applicable) | _____<br>Signature of Investor |
| (SEAL) | |
| _____<br>Printed Name of Custodian (if applicable) | _____<br>Name of Investor |

# SUBSCRIPTION AGREEMENT

## CAPQ BDC Inc d/b/a Capital Q Business Development Company

The undersigned hereby tenders this Subscription Agreement and applies for the purchase of the dollar amount of shares of common stock (the "Shares") of CAPQ BDC Inc., a Florida Corporation, as set forth below.

### 1 Investment

Amount of Subscription: _____ State of Sale: _____

*(Minimum initial investment is $100,000)*

Source of the Money/Wealth/Income: _____

Purpose of Investment: _____ Expected Investment Frequency: _____

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

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

### 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**

* All parties must sign

☐ UGMA: State of _____

☐ UTMA: State of_____

☐ Corporation**

- ☐ S-corp ☐ C-corp

Date of formation ___/___/___

Country of Formation_____

☐ Partnership**

☐ Other (Specify)

**Qualified Registration Types**

☐ Traditional IRA ☐ SEP IRA

☐ Simple IRA ☐ ROTH IRA

☐ Profit Sharing Plan ☐ Pension Plan

☐ Beneficial IRA ☐ Keogh Plan

As Beneficiary for:

_____

***Please attach pages for Entity -Articles of Incorporation or Organization and Resolution and/or Trust/Plan Documents, which lists the names of each the Directors, Managers, Trustees, with 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: _____

Occupation of Owner: _____ Nature of Business (Entity Only): _____

Joint Owner Name: _____ SSN/Tax ID: _____ DOB: _____

Occupation of Join Owner: _____

Street Address: _____

City: _____ State: _____ ZIP Code: _____

Optional Mailing Address: _____

City: _____ State: _____ ZIP Code: _____

Phone(day): _____ Phone (cellular): _____

E-mail Address: _____

☐U.S. Citizen | Country of Birth: _____ ☐Foreign Citizen, Country: _____

☐Citizen Residing Outside U.S. ☐Subject to Backup Withholdings

## 4 Account Title – SSN/TIN Required

**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.)**

Account Title Line 1: _____

Account Title Line2: _____

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)

☐ Do not send distributions, I choose to participate in the Dividend Reinvestment Plan.

☐ 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: _____

☐ **Wire Instructions**: 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 outrages that could impair my timely receipt of or access to Shareholder communications**.

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

Electronic Delivery Acknowledgement ONLY

Signature of Owner: Date: / /

Signature of Joint Owner: Date: / /

Form **W-9**
(Rev. March 2024)
Department of the Treasury
Internal Revenue Service

# Request for Taxpayer Identification Number and Certification

**Go to *www.irs.gov/FormW9* for instructions and the latest information.**

**Give form to the requester. Do not send to the IRS.**

**Before you begin.** For guidance related to the purpose of Form W-9, see *Purpose of Form*, below.

**Print or type.** See ***Specific Instructions*** on page 3.

**1** Name of entity/individual. An entry is required. (For a sole proprietor or disregarded entity, enter the owner's name on line 1, and enter the business/disregarded entity's name on line 2.)

**2** Business name/disregarded entity name, if different from above.

**3a** Check the appropriate box for federal tax classification of the entity/individual whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor ☐ C corporation ☐ S corporation ☐ Partnership ☐ Trust/estate

☐ LLC. Enter the tax classification (C = C corporation, S = S corporation, P = Partnership) . . . . .

**Note:** Check the "LLC" box above and, in the entry space, enter the appropriate code (C, S, or P) for the tax classification of the LLC, unless it is a disregarded entity. A disregarded entity should instead check the appropriate box for the tax classification of its owner.

☐ Other (see instructions)

**4** Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any)

Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any)

*(Applies to accounts maintained outside the United States.)*

**3b** If on line 3a you checked "Partnership" or "Trust/estate," or checked "LLC" and entered "P" as its tax classification, and you are providing this form to a partnership, trust, or estate in which you have an ownership interest, check this box if you have any foreign partners, owners, or beneficiaries. See instructions . . . . . ☐

**5** Address (number, street, and apt. or suite no.). See instructions.

Requester's name and address (optional)

**6** City, state, and ZIP code

**7** List account number(s) here (optional)

## Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

**Note:** If the account is in more than one name, see the instructions for line 1. See also *What Name and Number To Give the Requester* for guidelines on whose number to enter.

**Social security number**

| | | | – | | – | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

**or**

**Employer identification number**

| | | – | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

## Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and, generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

| **Sign Here** | **Signature of U.S. person** | **Date** |
|---|---|---|

# General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments**. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/FormW9*.

## What's New

Line 3a has been modified to clarify how a disregarded entity completes this line. An LLC that is a disregarded entity should check the appropriate box for the tax classification of its owner. Otherwise, it should check the "LLC" box and enter its appropriate tax classification.

New line 3b has been added to this form. A flow-through entity is required to complete this line to indicate that it has direct or indirect foreign partners, owners, or beneficiaries when it provides the Form W-9 to another flow-through entity in which it has an ownership interest. This change is intended to provide a flow-through entity with information regarding the status of its indirect foreign partners, owners, or beneficiaries, so that it can satisfy any applicable reporting requirements. For example, a partnership that has any indirect foreign partners may be required to complete Schedules K-2 and K-3. See the Partnership Instructions for Schedules K-2 and K-3 (Form 1065).

## Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS is giving you this form because they

Subscription Booklet

## 9 Subscriber Suitability

Please carefully read and separately initial each of the representations below. For the purposes of the below investor representations, unless otherwise indicated, "liquid net worth" is defined as that portion of net worth (total assets minus liabilities) that is composed of cash, cash equivalents and readily marketable securities. In the case of joint investors, each investor must initial. Except in the case of fiduciary accounts, you may not grant any person power of attorney to make such representations on your behalf. In order to induce CAPQ BDC Inc. to accept this subscription, I (we) hereby represent and warrant that:

### Initials are required for 1 through 5

| | Owner (Initials) | Joint Owner (Initials) |
|---|---|---|
| 1. I have received the final Memorandum of CAPQ BDC Inc. at least five business days before signing the Subscription Agreement. | ☐ | ☐ |
| 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. | ☐ | ☐ |
| 3. I acknowledge that there is no public market for the shares and, thus, my investment is not liquid. | ☐ | ☐ |
| 4. I am purchasing the shares for the account referenced in Section 4. | ☐ | ☐ |
| 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. | ☐ | ☐ |

### Initials are required based on State of Legal Residency

| | Owner (Initials) | Joint Owner (Initials) |
|---|---|---|
| 6. **Alabama:** 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. | ☐ | ☐ |
| 7. **Iowa:** 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. | ☐ | ☐ |
| 8. **Kansas:** 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. | ☐ | ☐ |
| 9. **Kentucky:** 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. | ☐ | ☐ |
| 10. **Maine:** 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. | ☐ | ☐ |
| 11. **Massachusetts:** 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. | ☐ | ☐ |
| 12. **Nebraska:** 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. | ☐ | ☐ |
| 13. **New Jersey**: In addition to the suitability standards noted above, the New Jersey Bureau of Securities recommends than 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."

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. ☐ ☐

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. ☐ ☐

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. ☐ ☐

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.) ☐ ☐

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). ☐ ☐

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. ☐ ☐

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 SUBSCRITION 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 for
Qualified Plans, of Trustee/Custodian: _____ Date: _____

**This Subscription Agreement, together with a check or wire transfer 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:**

| **Payments may be wired to:** | **By Mail or Overnight Courier:** |
|---|---|
| Payment to: CAPQ BDC Inc.<br>Address: 100 E Faith Terrace, Suite 1016, Maitland, FL 32751<br>Telephone: (407) 307- CAPQ (2277)<br><br>**Account #: 4002025379**<br><br>Beneficiary Bank: Cogent Bank<br>Bank Address: 1113 Saxon Blvd Orange City, Florida 32763<br>Bank Telephone: 1-888-577-0404<br><br>**ABA #: 063114661**<br><br>**International Wire-transfers:**<br>Correspondent Bank: BMO HARRIS<br>CHICAGO IL<br><br>Correspondent Bank SWIFT Code: HATRUS44<br>Fedwire ABA for International Wires: 071000288<br><br>FFC (for further credit): 06311661<br>Receiving Bank: Cogent Bank<br>420 S. Orange Ave Suite 150 Orlando, FL 32810<br><br>FBO: CAPQ BDC Inc. / 4002025379 | Payment to: CAPQ BDC Inc.<br>Investment Processing Department<br>Address: 100 E Faith Terrace, Suite 1016, Maitland, FL 32751<br>Telephone: (407) 307-CAPQ (2277)<br><br>**Or to:**<br>**NAV Fund Administration Group**<br>NAV Consulting \| NAV Cayman \| NAV Backoffice<br>1 Trans Am Plaza Drive, Suite 400<br>Oakbrook Terrace, IL 60181<br>P: 1.630.954.1919, P: 1.345.946.5006<br>transfer.agency@navconsulting.net |