Sankaty Advisors, Ltd.

Annual Report

for the year ended 31 December 2011

Registered No: 05512934

Sankaty Advisors, Ltd **Registered No: 05512934**

Directors and Officers
for the year ended 31 December 2011

Directors

Jonathan Scott Lavine
Jeffrey Brooks Hawkins

Company Secretary

Jeffrey Brooks Hawkins

Registered Office

Devonshire House
Mayfair Place
London W1J 8AJ

Company Registration Number

05512934

Registered Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
7 More London Riverside,
London SE1 2RT

Bankers

Royal Bank of Scotland
62/63 Threadneedle Street
London EC2R 8LA

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for the year ended 31 December 2011

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Directors' Report
for the year ended 31 December 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities
The company's principal activities during the year were the provision of the following services to affiliated entities

a) facilitate research on the
   (i) European credit and structured products market
   (ii) European high yield bond market
b) advise on debt products in the European markets
c) execute unfilled orders as directed by Sankaty Advisors, LLC

Business review and future developments
The level of business during the year to 31 December 2011 was in line with expectation In 2012, the current arrangement with the parent company relating to the provision of execution-only transaction services is expected to continue As the majority of the transactions in the company are with group companies, the recovery of inter company debtors and creditors represent the key financial risks, which are paid down periodically All inter company balances are reviewed periodically to ensure they are recoverable In addition, the company has certain regulatory ratios in this regard which are monitored and which address this risk

Financial risk management
The principal financial risk is that the proceeds from financial assets may not be sufficient to fund the obligations from liabilities as they fall due In addition, the other important financial risks are liquidity risk and cash flow risk These risks are managed via inter company balances with the parent company and affiliated undertakings

The directors of the company determine its business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces They also determine how those risks may be mitigated and assess on an ongoing basis the arrangements to manage those risks The directors manage the company's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules with the aim to operate a defined and transparent risk management framework These policies and procedures are updated as required

Given the size of the company, detailed analysis of risks and uncertainties has not been prepared since such information is not material for the assessment of the company's assets, liabilities, financial position and results

Key Performance Indicators
The Key Performance Indicators monitored by the company in addition to the financial risk measures noted above, are the quality and number of employees

Results and dividends
The profit for the year ended 31 December 2011 is set out in the profit and loss account on page 6 and has been transferred to reserves The Directors do not propose a final dividend for 2011 (2010 £1,000,000)

Directors' Report
for the year ended 31 December 2011 (continued)

Directors

The directors who held office during the year are given below

Jonathan S Lavine
Jeffrey B Hawkins

Indemnity

The Company has made qualifying third party indemnity provisions for the benefit of the respective directors which were in place throughout the year and which remain in place at the date of this report

Charitable Donations

The company made no charitable contributions during the year (2010 Nil)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Directors' Report
for the year ended 31 December 2011 (continued)

The directors confirm

- that so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware Relevant information is defined as "information needed by the company's auditors in connection with preparing the report" and,
- that each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting

This report was approved by the board on April 18, 2012 and signed on its behalf by

Jeffrey B Hawkins
Director

Independent Auditors' Report
to the members of Sankaty Advisors, Ltd.

We have audited the financial statements of Sankaty Advisors, Ltd for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds, the Accounting Policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent Auditors' Report
to the members of Bain Capital, Ltd. (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Christian Bellairs

Christian Bellairs (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Sankaty Advisors, Ltd.

Registered No· 05512934

Profit and Loss Account
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover	2	9,420	7,516
Staff costs	3	(6,515)	(4,752)
Other operating costs		(2,044)	(2,082)
Profit on ordinary activities before interest and taxation	3	861	682
Interest (payable) / receivable	6	(1)	1
Profit on ordinary activities before taxation		860	683
Tax on profit on ordinary activities	7	(232)	(203)
Profit for the financial year		628	480

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

All activities derive from continuing operations

The notes on pages 9 to 14 form an integral part of these financial statements

Sankaty Advisors, Ltd.

Registered No: 05512934

Balance Sheet
as at 31 December 2011

	Note	2011 £'000	2010 £'000
Current assets			
Debtors	8	265	43
Cash at bank and in hand	15	2,417	2,987
		2,682	3,030
Creditors – Amounts falling due within one year	9	(692)	(668)
Net current assets		1,990	2,362
Creditors – Amounts falling due after one year	10	(300)	(300)
Net assets		1,690	2,062
Capital and reserves			
Called up share capital	11	200	200
Profit and loss account	12	1,490	1,862
Total shareholders' funds	13	1,690	2,062

The notes on pages 9 to 14 form an integral part of these financial statements

The financial statements on pages 6 to 14 were approved by the board of directors on April 18, 2012 and were signed on its behalf by

Jeffrey B Hawkins
Director

Sankaty Advisors, Ltd.

Registered No: 05512934

Cash Flow Statement
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	14	664	792
Return on investment and servicing of finance			
Interest received		4	5
Interest paid		(5)	(4)
		(1)	1
Taxation		(232)	(148)
Capital Expenditure		(1)	-
Dividends paid		(1,000)	-
(Decrease) / increase in net cash		(570)	645
Reconciliation to net cash			
Net cash at 1 January		2,687	2,042
Increase in net cash		(570)	645
Net cash at 31 December	15	2,117	2,687

The notes on pages 9 to 14 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2011

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards The principal accounting policies, which have been applied consistently, are set out below

Revenue

Turnover represents execution-only transaction service fees from an affiliated company Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the company and the amount of revenue can be measured reliably

Cash and cash equivalents

Cash includes cash on hand and deposits held on call with banks that can be withdrawn immediately or within twenty four hours without penalty

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivable

Trade payables

Trade payables are carried at the fair value of the consideration to be paid in future for goods and services that have been received or supplied and invoices or formally agreed with the supplier

Foreign exchange

All monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate prevailing at the balance sheet date Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction Gains and losses arising from foreign currency transactions are included in the profit and loss account

Pension

The company operates a defined contribution scheme for its employees Company contributions to the scheme are charged to the profit and loss account as and when they arise

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of the timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is calculated in accordance with FRS 19 as follows

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less, tax in the future have occurred at the balance sheet date Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain

2 Turnover

All turnover is generated in the United Kingdom Turnover is received from an affiliated company for execution-only transaction and administrative services

3 Operating profit

	2011 £'000	2010 £'000
Operating profit is stated after crediting:		
Administration fee – receivable from Sankaty Advisors, LLC	9,420	7,516
Operating profit is stated after charging:		
Salaries and wages	(5,371)	(4,042)
Social security	(752)	(557)
Pension contributions	(5)	(6)
Other staff costs - benefits	(387)	(147)
Staff costs	(6,515)	(4,752)
Costs recharge – due from / (payable) to Sankaty Advisors, LLC	291	(86)
Costs recharge – payable to Bain Capital, Ltd	(7,688)	(5,422)
Services provided by the company's auditor:		
Fees payable for the audit	(22)	(21)
Fees payable for other services – tax compliance & other	(28)	(8)

The costs recharged from Sankaty Advisors LLC and Bain Capital, Ltd is in respect of salary, bonus and general operating and administration expense payments made on behalf of Sankaty Advisors, Ltd

4 Directors' emoluments

	2011 £'000	2010 £'000
Aggregate emoluments	-	383
Emoluments of the highest paid director	-	205

There are no retirement benefits accruing to directors

5 Employee Information

The average number of people including directors employed by the company during the year was	2011	2010
Investment staff	14	12
Administrative staff	6	5
Total average headcount	20	17

6 Net Interest (payable) / receivable

	2011 £'000	2010 £'000
Interest receivable	4	5
Interest payable on subordinated loan	(5)	(4)
Net interest (payable) / recievable	(1)	1

7 Taxation on the profit for the year

	2011 £'000	2010 £'000
UK corporation tax on profits of the year	232	197
Adjustment in respect of previous periods	-	6
Total current tax	232	203
Tax on profit on ordinary activities	232	203

7 Taxation on the profit for the year (continued)

The tax assessed for the period is higher (2010 higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2011 of 26 5% (2010 28%) The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	860	683
Profit on ordinary activities multiplied by standard rate in the UK 26 5% (2010 28%)	228	191
Effects of		
Expenses not deductible for tax purposes	4	5
Adjustments to tax charge in respect of previous periods	-	7
Current tax charge for the year	232	203

8 Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	17	40
Prepayments	248	3
	265	43

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand

9 Creditors: Amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	38	18
Amounts due to group undertakings	354	426
Corporation tax	232	203
VAT	44	-
Accruals	24	21
	692	668

Amounts due to group undertakings are unsecured, interest free and repayable on demand

10 Creditors: Amounts falling due after more than one year

	2011 £'000	2010 £'000
Subordinated loan due to Sankaty Advisors, LLC	300	300
	300	300

The company has a subordinated loan agreement with its parent company, Sankaty Advisors, LLC, which carries interest at the Royal Bank of Scotland base rate plus 1% This rate is set every three months and interest is payable on 31 March, 30 June, 30 September and 31 December each year The loan is unsecured and repayable at the option of Sankaty Advisors, Ltd

11 Called up share capital

	2011 £,000	2010 £,000
Authorised		
250,000 ordinary shares of £1 each	250	250
Allotted and fully paid		
200,000 ordinary shares of £1 each	200	200

The ordinary shares are entitled to one vote per share

The ordinary shares are entitled to a participation in the distributable reserves at the discretion of the directors

12 Profit and loss account

	2011 £'000	2010 £'000
1 January 2011	1,862	1,382
Dividend paid	(1,000)	-
Profit for the financial year	628	480
31 December 2011	1,490	1,862

13 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	628	480
Dividend paid	(1,000)	-
Opening shareholders' funds	2,062	1,582
Closing shareholders' funds	1,690	2,062

14 Reconciliation of operating profit to net cash inflow from operating activities

	2011 £'000	2010 £'000
Operating profit	861	682
Increase in debtors	(221)	(38)
Increase in creditors	24	148
Net cash inflow from operating activities	664	792

15 Reconciliation in net debt

	As at 1 Jan 2011 £'000	Cash flow £'000	At 31 Dec 2011 £'000
Cash in hand and at bank	2,987	(570)	2,417
Subordinated loan (note 10)	(300)	-	(300)
	2,687	(570)	2,117

16 Other related party transactions

Administrative fee income receivable from, and amounts due to related parties are shown in notes 3, 8, 9 and 10 respectively

17 Parent undertaking

The company is a wholly owned subsidiary of Sankaty Advisors, LLC a US company The principal place of business of Sankaty Advisors, LLC is John Hancock Tower, 200 Clarendon Street, Boston, MA 02116, USA

The ultimate parent undertaking and controlling party is Bain Capital, LLC a US company The principal place of business of Bain Capital LLC is John Hancock Tower, 200 Clarendon Street, Boston, MA 02116, USA

The following additional information does not from part of the financial statements

Pillar 3 disclosure

Background

The European Union Capital Requirements Directive sets out the regulatory framework governing the amount of capital which must be maintained by credit institutions and investment firms In the UK the directive has been adopted by the Financial Services Authority ("FSA") within the General Prudential Sourcebook and the Prudential Sourcebook ("BIPRU") for banks, building societies and investment firms

The regulatory framework comprises three Pillars

- Pillar 1 sets out the minimum capital requirements that the firm is required to meet,
- Pillar 2 requires the firm to assess whether additional capital should be held against the risks not adequately covered under Pillar, and
- Pillar 3 requires the firm to disclose its risk management strategies and controls, capital resources and capital requirements

This document is designed to meet the Sankaty Advisors, Ltd ("Sankaty" or the "Firm") Pillar 3 obligations in accordance with the BIPRU Chapter 11 The requirements provide for the omission of one or more of the required disclosures if such information is considered to be immaterial, proprietary or confidential

Scope of Application

Sankaty Advisors, Ltd , is a private limited liability company registered in England and Wales and is authorised and regulated by the Financial Services Authority Sankaty is categorised as a BIPRU €50K limited license firm and is a direct subsidiary of Sankaty Advisors, LLC, an affiliate of Bain Capital, LLC

The principal business activities of the Firm are to provide sub-advisory services to Sankaty Advisors, LLC and to act as agent in relation to executing orders directed by Sankaty Advisors, LLC

Risk Management

Sankaty's risk management policies and processes are proportionate to the nature and scale of its activities The Firm works closely with other entities in the broader Bain Capital organisation to manage and oversee the risks the Firm faces individually and collectively as part of the broader Bain Capital organisation The adequacy and effectiveness of the Firm's systems and controls are subject to an annual review The key risk exposures are set out below

Pillar 3 disclosure (continued)

Business Risk

The Firm's key Business Risks include

- *Group risk* The Firm is subject to risk individually and at the broader Bain Capital group level The Firm monitors Group risk and has ongoing interactions with key Group executives to understand and influence decisions made for the broader Bain Capital group
- *Implementation of Business Strategy* The Firm is subject to the risk that the departure of key executives and personnel will adversely impact its business strategy This is managed through the use of appropriate compensation and employee retention measures

Operational Risk

The Firm has a risk of loss resulting from certain Operational Risks These risks include

- *Inadequate or failed internal processes and procedures* The Firm is subject to risk in relation to failed or inadequate internal processes and controls relating to IT systems, human resources, legal, compliance, operations, finance and tax The Firm has established robust processes and controls to manage these operational risks

Other Risks
Whilst Business Risk and Operation Risk are key risks to the Firm's business there are also other risks that are not considered significant or applicable to Sankaty's business at this time These includes

- Credit Risk
- Insurance Risk
- Interest Rate Risk
- Liquidity Risk
- Market Risk
- Pension Obligation Risk
- Securitisation Risk

Capital Resources and Adequacy

The Firm's capital resources as at 31 December 2011 is £1 93m Its minimum capital requirement under Pillar 1 is £1 25m based on the Fixed Overhead Requirement ("FOR") The capital requirement is determined according to the highest of

1 A base requirement of €50,000, or
2 The FOR (which is based on three months expenditures less certain discretionary amounts), or
3 The sum of the Firm's market and credit requirements

Internal Capital Adequacy Assessment Process (ICAAP)

The Firm, through its ICAAP process, conducts an assessment of the amount of capital that is considered adequate to cover the risks facing its current and future business

Pillar 3 disclosure (continued)

activities and includes the projection of financial profitability, capital resources and capital requirements The key business risks to which the firm is or might be exposed are assessed along with the amount of capital that would be adequate to cover the Firm in the event that those risks were to crystallise In addition, the economic environment and the impact of adverse economic conditions on the Firm's profitability and capital position are considered

Remuneration Disclosure

Proportionality

Sankaty is authorised and regulated as a limited license firm by the FSA and is required to comply with the FSA's remuneration disclosure requirements in a manner which is appropriate to its size, internal organisation and the nature, scope and complexity of its activities

The FSA applies the proportionality by categorising firms into four tiers As a limited license firm, Sankaty falls into the fourth tier and as such disclosure is made in line with the requirements for a tier four firm

Decision making process

As a tier four firm, Sankaty does not have an obligation to establish a Remuneration Committee Responsibility for the Firm's remuneration policy, and for key decisions in relation to remuneration, lies with the Firm's senior management and its Board of Directors

Link between pay and performance

Executives receive both a fixed and variable component to their remuneration Performance is a key assessment used in the calculation of the variable remuneration The assessment is based on the individual's performance, as well as the performance of the Firm and the investment vehicles Individual performance is assessed over a multi-year framework to ensure the interests of staff are aligned with the long term objectives of the investment vehicles Performance at an individual level is also assessed by reference to non-financial criteria, such as risk management, regulatory compliance and peer review

Aggregate Information

The Firm has one business area, therefore it is permitted to omit disclosures relating to the aggregate quantitative information for its business The Firm only has four members that qualify as Code Staff and the disclosure of their aggregate quantitative information on remuneration would be inconsistent with the Firm's obligations under relevant data protection legislation

Relevant Period

The Firm is disclosing information for the year ended 31 December 2011