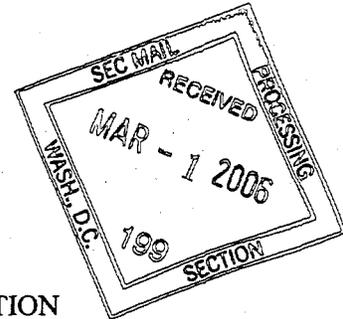






BESSEMER INVESTOR SERVICES, INC.  
(SEC I.D. No. 8-35199)



STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2005  
AND  
INDEPENDENT AUDITORS' REPORT  
AND  
SUPPLEMENTAL REPORT ON INTERNAL CONTROL

Filed in accordance with Rule 17a-5(e)(3) under the  
Securities Exchange Act of 1934 as a PUBLIC  
DOCUMENT.

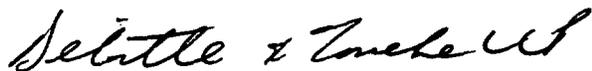
## INDEPENDENT AUDITORS' REPORT

Bessemer Investor Services, Inc.:

We have audited the accompanying statement of financial condition of Bessemer Investor Services, Inc. (the "Company"), a wholly-owned subsidiary of Bessemer Trust Company N.A. (the "Parent") as of December 31, 2005, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of Bessemer Investor Services, Inc. at December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.



February 24, 2006

# BESSEMER INVESTOR SERVICES, INC.

## STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2005

---

### ASSETS

Cash	\$ 834,512
Placement fees receivable	573,750
Furniture and equipment (net of accumulated depreciation of \$22,892)	3,229
Deferred tax asset	8,476
Other assets	<u>44,697</u>
<b>TOTAL</b>	<b><u>\$1,464,664</u></b>

### LIABILITIES AND SHAREHOLDER'S EQUITY

#### LIABILITIES:

Accrued expenses and other liabilities	\$ 24,500
Taxes payable	<u>2,691</u>
<b>Total liabilities</b>	<b><u>27,191</u></b>

#### SHAREHOLDER'S EQUITY:

Common stock (authorized—100,000 shares of \$1.00 par value; outstanding - 10,000 shares)	10,000
Additional paid-in capital	240,000
Retained earnings	<u>1,187,473</u>
<b>Total shareholder's equity</b>	<b><u>1,437,473</u></b>

<b>TOTAL</b>	<b><u>\$1,464,664</u></b>
--------------	---------------------------

See notes to Statement of Financial Condition

# BESSEMER INVESTOR SERVICES, INC.

## NOTES TO STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2005

---

### 1. NATURE OF OPERATIONS

Bessemer Investor Services, Inc. (the "Company"), a wholly-owned subsidiary of Bessemer Trust Company, N.A. (the "Parent") (a subsidiary of The Bessemer Group, Inc. ("BGI")), is a registered broker-dealer with the Securities and Exchange Commission and the National Association of Securities Dealers.

Effective January 1, 2005, the Company no longer functions as an introducing broker-dealer for Bessemer Trust Company a subsidiary of BGI. The Company focuses its ongoing efforts on acting as placement agent for private investment funds managed by the Parent, or affiliates.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation***—The Company's Financial Statements are presented in accordance with accounting principles generally accepted in the United States of America.

***Fair Value of Financial Instruments***—Substantially all of the Company's financial assets and liabilities are carried at fair value or amounts which approximate fair value.

***Use of Estimates in the Preparation of Financial Statements***—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and prevailing industry practices require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash***—Cash includes interest-bearing deposits with banks and other deposits with an affiliate bank.

***Furniture and Equipment***—Furniture and equipment are recorded at cost and are depreciated using the straight-line method over estimated useful lives of ten years for furniture, five years for office equipment, and three years for computer equipment.

***Revenue Recognition***—Placement fees, which represent a percentage of Investments in related funds facilitated by the company, are recorded when earned.

***Income Taxes***—The Company files consolidated Federal, New York State and New York City income tax returns with BGI and, by agreement, the Company's tax liability to BGI is based on its tax as if the Company filed separately. Other state and local taxes are paid by the Company directly.

### **3. RELATED PARTY TRANSACTIONS**

Cash held with an affiliate bank as of December 31, 2005 amounts to \$17,520.

Effective January 1, 2005, the Company and the Parent have entered into a Private Placement Agreement (the "Agreement") whereby the Parent will pay an ongoing fixed annual placement fee to the Company for acting as placement agent in connection with the placement of limited liability company interests in several hedge funds of funds and certain other private investment companies organized and advised by the Parent. In addition the company may earn a percentage of investments placed into funds of funds or private equity investment funds. The Agreement may be terminated by the either party upon fifteen days written notice to the counterpart.

### **4. INCOME TAXES**

Income taxes are accounted for in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, which requires that deferred tax assets and liabilities be provided for all temporary differences between the book and tax basis of assets and liabilities. The Company has recorded a deferred tax asset of \$8,476 relating to deferred deductions and depreciation and has a current tax payable of \$2,691.

### **5. NET CAPITAL REQUIREMENT**

The Company is subject to the Net Capital Requirements of Rule 15c3-1 under the Securities and Exchange Act of 1934 (the "Rule"). The Rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined by the Rule, shall not exceed 15 to 1. At December 31, 2005, the Company had net capital of \$807,321, which was \$802,321 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was .03 to 1.

### **6. LITIGATION**

In the normal course of business, the Company may be subject to litigation. As of December 31, 2005, there were no pending legal actions against the Company.

\* \* \* \* \*

February 24, 2006

Bessemer Investor Services, Inc.  
630 Fifth Avenue  
New York, New York 10111

Dear Sirs:

In planning and performing our audit of the financial statements of Bessemer Investor Services, Inc. (the "Company"), a wholly-owned subsidiary of Bessemer Trust Company, N.A., for the year ended December 31, 2005 (on which we issued our report dated February 24, 2006), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures followed by the Company (including tests of compliance with such practices and procedures) that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operation, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005 to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the National Association of Securities Dealers, Inc., the Securities and Exchange Commission and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

