The PE reporting issue is so bad that a FINRA sales violation has actually been memorialized on the client statement of every Merrill Lynch PE client since November of 2017. See the redacted statement on the last page of this document.

I have read many of the comments and know this is a big issue and takes time. However, the first thing is to realize that the people running these deals have every advantage and the end investors (firemen and teachers) or even 95% of the "wealthy individuals" have no clue as to what is happening with their money. They can't fend for themselves. They don't know what questions to ask. They trust their advisors who can be conflicted.

The Warren Buffet test is the best. If your actions were written about in the local paper by a critical reporter who had all the facts, how would it look.This footnote is one example.

I allege that Bank of America/Merrill Lynch has been violating a basic "don't make misleading statements" FINRA RULE 2210(d)(1) for 5-10 years. It is possible the rule was violated orally for many years. The statement was actually added to the Merrill Lynch client statements as a footnote in November of 2017. Since the data in question is coming from world-class Private Equity firms, It is possible they also could be in violation. They provide the IRR number directly to Merrill Lynch. They must have signed off on the footnote that is related to this IRR number.

The below language was added as a footnote in the Private Equity summary on the Merrill Lynch/Bank of America statements. (Merrill Lynch sells a Private Equity deal from Blackstone or another Gold-standard Private Equity Firms. Blackstone gives the IRR to Merrill who puts it on the client statement. Merrill notes that the IRR was provided from the PE Firms.) I have BOLDED the misleading statement.

NET IRR AS REPORTED BY FUND (e)

e - Last reported annualized net internal rate of return (IRR). IRR is the net return earned by investors over a particular period, calculated on the basis of cash flows to and from investors, after the deduction of all fees (except placement fee if applicable), including carried interest. ***In the early years of a***

Fund, fees and expenses are a more material component of the calculation, and have a greater impact on the Fund's IRR.

The truth is that IRR is totally meaningless in the early years. However, many times it is arbitrarily high in the early years and the ML footnote is telling people it is arbitrarily low.

The second truth is that there are several factors influencing the IRR in the early years. One is excess fees, another is the credit line and a third is the effect of one good deal coming back quickly. This misleading statement is telling the clients that IRR is understated in the beginning because of the fees. In most cases, it is actually overstated because of the other factors.

1) Warren Buffet "IRR is a Dishonest number"

2) Howard Marks "IRR only has meaning over a long time and lots of money"
3) Blackstone Wholesaler "IRR doesn't mean (expletive) don't tell the clients""IRR only matters over 10 years or even longer...the life of the fund."
4) Diane Mulcahy, Bill Weeks, and Harold S. Bradley, "'We Have Met the Enemy…and He is Us': Lessons from Twenty Years of the Kauffman Foundation's Investments in Venture Capital Funds and the Triumph of Hope over Experience," working paper, May 2012.*There is not consistent evidence of a J-curve in venture investing since 1997; the typical Kauffman Foundation venture fund reported peak internal rates of return (IRRs) and investment multiples early in a fund's life (while still in the typical sixty-month investment period), followed by serial fundraising in month twenty-seven*

5) *McKinsey Internal Rate of Return- A cautionary tale: 8/1/2004*
    a) *In an informal survey of 30 executives at corporations, hedge funds, and venture capital firms, we found only 6 who were fully aware of IRR's most critical deficiencies.*

6) Forbes article august 2021 / Antoine Gara-
    a) There is a j curve, but it is an "Upside down j curve"

b) "The IRR is high in the beginning because they're manipulating it to be high," says Brad Case, an economist who studies private equity. "Why does it come down over time? Because they run out of opportunities to keep manipulating it."
c) Win or lose, those high reported early IRRs are a great marketing tool.

7) <u>NYTimes article -Deal Book-12/4/21- by Michelle Celarier/editor is Andrew Ross Sorkin.</u>
   a) *Investors have long assumed that private equity produces the best returns. In today's newsletter, we examine how the industry's recent performance stacks up against public markets — and the often misleading way in which it calculates returns.*

   b) *Longtime critics like Ms. Appelbaum and Mr. Phalippou say the typical methodology used to report results to investors, known as the internal rate of return, or I.R.R., is easily gamed. "It's certainly highly misleading, Mr. Phalippou said. But, Ms. Appelbaum said, "the private equity guys love it." For example, she said, if a 10-year private equity fund buys 10 companies, and decides to sell the best one early on, the I.R.R. looks great. "You got a lot of money when you sold it, so you have a very high rate of return," she said. That's because the I.R.R. assumes that until the fund liquidates, the profit from that sale can be reinvested at the same high rate. The I.R.R. methodology may be why some funds look better in their* ***early years,*** *especially if they have borrowed money to add to the investments*
8) You can't make this up:
   a) Forbes and the NYTimes say that IRR is high in the beginning and low at the end
   b) The Kauffman Foundation says that IRR is high in the beginning and low at the end.
   c) Merrill Lynch and PE say the **exact opposite**- that IRR is low in the beginning and high at the end. The only difference is that Merrill Lynch says it on the client statement. Every. Single. Month.

A better statement would be " ***In the early years of a Fund, fees and expenses are a more material component of the calculation, and have a***

greater impact on the Fund's IRR. However, the use of a credit line will make the IRR appear higher than it actually is. Usually the high IRR because of the use of a credit line overwhelms the potential low IRR because of the fees and expenses and you should not think your fund will do as well as it is doing in the "early years". Additionally, if one deal is sold at a profit early in the fund life, the IRR will be artificially high. In general, don't put any value on the IRR during the investment period which is approximately the first 3-6 years of a PE fund. We apologize for using the term "early years". We know it is vague.

But, I mean, why put any footnote at all? The only thing the clients look at is the statement. In this case they look at the IRR and look at the foot note each month. It drills in their mind that they are doing better than they really are. It helps sales, it helps with client relationships. It is deceptive and misleading.

To get a footnote on a client statement is like landing a punch on Mike Tyson in his prime. Almost impossible. Every lawyer in the country has to sign off on that. The clients actually read and trust the client statement and it makes them think they are rich and skinny.

The footnote means:

1) "You really have more money than the IRR implies in the first 3-6 years of the fund. "
2) "You are rich and skinny"; "Let me invest more of your money"
3) You are rich and skinny. "Don't think of selling the fund at a discount in the secondary market"
4) You are rich and skinny. "Don't have a competitor review the statement"

Let me explain how deceptive that comment is. It is telling the client that the IRR on their statement during "the early years" (let's call that years 3-6 as that is the average length of an investment period.) can be ignored if it is negative or low as that is how Private Equity deals work. It is also telling them that a positive IRR is being held back by the weight of the "fees and expenses" and is actually higher than it appears.

The end result is the client is being told every month that they have a better investment than it looks. For Merrill to say it is under-valued in the undefined "early years" is simply a giving the clients a rosy view which is undeserved.

Of course, It is also telling the clients that even the high IRR's are "actually" even higher. It allows the advisor, the brokerage house and the Private Equity firm to not only "downplay" any negative returns, but to "play up" any positive returns during that time. "Hi Bob and Mary, aren't we smart and nimble, even though you should be in the lower loop of the dreaded "J" curve, we already have you on the upward part of the "J" by year two. Here is another fund I want to show you" It is hard to sell products that are locked up for 10 years. Retail clients resist it. The only way to get them is make them think the returns are exceptional.

FINRA Rule 2210(d)(1) requires that all member firm communications be fair, balanced and not misleading. Communications that promote the potential rewards of an investment also must disclose the associated risks in a balanced manner.8

In addition, communications must be accurate and provide a sound basis to evaluate the facts with respect to the products or services discussed. Rule 2210(d)(1) also prohibits false, misleading or promissory statements or claims, and prohibits the publication, circulation or distribution of a communication that a member firm knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

With few exceptions, Rule 2210(b)(1) requires that an appropriately registered principal must approve each retail communication before the earlier of its use or filing with FINRA's Advertising Regulation Department.9

To put this in FINRA terms: Merrill Lynch is saying Private Equity deals are rewarding because negative returns in the early years are nothing to worry about. To make it balanced, they need to say Private Equity deals are risky because positive returns in the early years are nothing to feel good about. To

give the client a "sound basis" to evaluate the IRR, they need to give the client more information.

2020. Use of Manipulative, Deceptive or Other Fraudulent Devices
The Rule

No member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

(1) General Standards

(A) All member communications must be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No member may omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the communications to be misleading.
(B) No member may make any false, exaggerated, unwarranted, promissory or misleading statement or claim in any communication. No member may publish, circulate or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.
(C) Information may be placed in a legend or footnote only in the event that such placement would not inhibit an investor's understanding of the communication.
(D) Members must ensure that statements are clear and not misleading within the context in which they are made, and that they provide balanced treatment of risks and potential benefits. Communications must be consistent with the risks of fluctuating prices and the uncertainty of dividends, rates of return and yield inherent to investments.
(E) Members must consider the nature of the audience to which the communication will be directed and must provide details and explanations appropriate to the audience.

Here are actual after-fee returns of ML feeder funds. They take about 12 years to finish. I use the analogy of a quarterback. High early returns(passing yardage) when he is a high school standout don't matter. All you get paid on are his returns(passing yardage) when he is in your

fantasy football league as a year 4 pro. You can see below that many times the IRR in the early years is HIGHER than the later years. The footnote says the exact opposite.

year of fund		3/31/2020	**BREP REG Global (Blackstone flagship real estate) 2012**
1	HS-Freshman	12/31/2012	started around here
3	HS-Sophomore	12/31/2014	statements changed around here, not as clear- no IRR before this
4	HS-Senior	3/31/2015	
4	HS-Senior	6/30/2015	18.46%
4	HS-Senior	9/30/2015	18.40%
4	HS-Senior	12/31/2015	20.05%
5	C-Freshman	3/31/2016	16.88%
5	C-Freshman	6/31/16	15.46%
5	C-Freshman	9/30/2016	14.76%
5	C-Freshman	12/31/2016	14.40%
6	C-Sophomore	3/31/2017	13.46%
6	C-Sophomore	6/30/2017	13.51%
6	C-Sophomore	9/30/2017	13.11%
6	C-Sophomore	12/31/2017	13.79%
7	C-Junior	3/30/2018	14.71%
7	C-Junior	6/30/2018	14.00%
7	C-Junior	9/30/2018	13.95%
7	C-Junior	12/31/2018	13.55%
8	C-Senior	3/31/2019	12.74%
8	C-Senior	6/31/19	12.74%
8	C-Senior	9/31/19	12.66%
8	C-Senior	12/31/2019	12.71%
9	Rookie	3/31/2020	12.33%
9	Rookie	6/31/20	11.33%

9	Rookie	9/31/20	10.54%
9	Rookie	12/31/2020	10.45%
10	2nd Year Pro	2/21/2021	10.29%
10	2nd Year Pro	5/28/21	10.29
10	2nd Year Pro		
10	2nd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
12	4th Year Pro		
12	4th Year Pro		
12	4th Year Pro		
12	4th Year Pro		

			Blackstone Total Alternative Solutions 8/21/14- (started funding in 2015)
		Date	IRR
1	HS-Freshman	8/15/14	0.00%
2	HS-Sophomore	12/30/15	1.31%
3	HS-Junior	6/30/16	5.76%
3	HS-Junior	12/30/16	9.09%
4	HS-Senior	6/30/17	7.80%
4	HS-Senior	12/31/17	10.82%
5	C-Freshman	6/29/18	10.06%
5	C-Freshman	12/30/18	9.67%
6	C-Sophomore	6/30/19	7.87%
6	C-Sophomore	12/31/19	6.78%

7	C-Junior	6/30/20	4.39%
7	C-Junior	12/31/20	4.87%
8	C-SEnio	3/31/21	4.79%
8	C-Senior	4/30/21	4.27%
8	C-Senior	5/31/21	5.35%
8	C-Senior	6/30/21	5.18%
8	C-Senior / 1.22 multiple	9/31/21	**5.42**
8	C-Senior	10/30/21	**5.43**
8	C-Senior //1.23 multiple	12/31/21	**5.52**
9	Rookie		
9	Rookie		
9	Rookie		
9	Rookie		
10	2nd Year Pro		
10	2nd Year Pro		
10	2nd Year Pro		
10	2nd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
12	4th Year Pro		
12	4th Year Pro		
12	4th Year Pro		
12	4th Year Pro		

		LS real estate IV-2015	
1	HS-Freshman	12/31/2015	0.00%
2	HS-Sophomore	3/31/2016	-11.84%
2	HS-Sophomore	6/31/16	-12.53%
2	HS-Sophomore	9/30/2016	-2.58%

2	HS-Sophomore	12/31/2016	3.13%
3	HS-Junior	3/31/2017	6.64%
3	HS-Junior	6/30/2017	10.26%
3	HS-Junior	9/30/2017	14.39%
3	HS-Junior	12/31/2017	14.30%
4	HS-Senior	3/30/2018	13.99%
4	HS-Senior	6/30/2018	14.83%
4	HS-Senior	9/30/2018	15.78%
4	HS-Senior	12/31/2018	15.87%
5	C-Freshman	3/31/2019	15.48%
5	C-Freshman	6/31/19	15.55%
5	C-Freshman	9/31/19	15.05%
5	C-Freshman	12/31/2019	14.81%
6	C-Sophomore	3/31/2020	13.88%
6	C-Sophomore	6/31/20	10.52%
6	C-Sophomore	9/31/20	10.46
6	C-Sophomore	12/31/2020	10.46%
7	C-Junior	2/26/2021	11.00%
7	C-Junior	5/28/21	10.76
8	C-Senior		
8	C-Senior		
8	C-Senior		
8	C-Senior		
9	Rookie		
9	Rookie		
9	Rookie		
9	Rookie		
10	2nd Year Pro		
10	2nd Year Pro		
10	2nd Year Pro		
10	2nd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
12	4th Year Pro		
12	4th Year Pro		

12	4th Year Pro		
12	4th Year Pro		

GSO Mezzanine Trust 2012- target mid teens or higher		Date	GSO Mezzanine Trust 2012- target mid teens or higher
			IRR
1	HS-Freshman	1/1/2012	
2	HS-Sophomore	1/1/13	
3	HS-Junior	3/31/2014	
3	HS-Junior	6/30/2014	
3	HS-Junior	9/31/2014	statements before this don't show IRR
3	HS-Junior	12/31/2014	23.30%
4	HS-Senior	3/31/2015	23.30%
4	HS-Senior	6/30/2015	16.36%
4	HS-Senior	9/30/2015	
4	HS-Senior	12/31/2015	14.40%
5	C-Freshman	3/31/2016	14.40%
5	C-Freshman	6/31/16	8.43%
5	C-Freshman	9/30/2016	9.69%
5	C-Freshman	12/31/2016	10.91%
6	C-Sophomore	3/31/2017	9.55%
6	C-Sophomore	6/30/2017	9.82%
6	C-Sophomore	9/30/2017	9.56%
6	C-Sophomore	12/31/2017	9.88%
7	C-Junior	3/30/2018	9.41%
7	C-Junior	6/30/2018	10.07%
7	C-Junior	9/30/2018	10.47%
7	C-Junior	12/31/2018	9.68%
8	C-Senior	3/31/2019	9.68%
8	C-Senior	6/31/19	9.04%
8	C-Senior	9/31/19	8.90%

8	C-Senior	12/31/2019	8.44%
9	Rookie	3/31/2020	8.44%
9	Rookie		6.01%
9	Rookie		6.14%
9	Rookie	12/31/2020	6.49%
10	2nd Year Pro	2/26/2021	**6.36%**
10	2nd Year Pro		
10	2nd Year Pro		
10	2nd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
11	3rd Year Pro		
12	4th Year Pro		
12	4th Year Pro		
12	4th Year Pro		
12	4th Year Pro		

[redacted]

24-Hour Assistance: (800) MERRILL
Access Code: 43-569-17061

YOUR CMA MONEY ACCOUNT TRANSACTIONS

September 29, 2018 - October 31, 2018

Date	Description	Withdrawals	Deposits	Date	Description	Withdrawals	Deposits
10/19	ML BANK DEPOSIT PROGRAM		3,776.00	10/23	ML BANK DEPOSIT PROGRAM	3,776.00	
	NET TOTAL						**.00**

PRIVATE EQUITY/REAL ASSETS FUNDS SUMMARY

PRIVATE EQUITY/ REAL ASSETS FUNDS	Original Investment Date	Commitment	Contributions (a)	Distributions (b)	Estimated NAV (c)	Total Distributions & Estimated NAV	Investment Multiple on Contributions to Date (d)	Net IRR as Reported by Fund (e)
BLACKSTONE ALTERNATIVES *SOLUTION 2015 TRUST CLASS A*	11/24/2015	250,000	198,750	25,021	206,358	231,380	1.16	[redacted]
BLACKSTONE STRAT. PART. *SECONDARIES VII TRUST CLASS A*	05/16/2016	125,000	63,438	5,437	73,085	78,522	1.24	[redacted]
BLACKSTONE TAC OPPS *ACCESS L.P. CLASS A*	04/17/2017	100,000	30,500	2,196	24,568	26,764	0.88	[redacted]
TOTAL		475,000	292,688	32,654	304,011	336,666	1.15	

Footnotes*

a - Aggregate contributions, net of applicable placement fee, from original investment date. Unfunded balance does not include outstanding recallable capital, if applicable. Please refer to the most recent Fund Capital Account Statement.

b - Net distributions, including outstanding recallable if applicable, from original investment date. Please refer to the most recent Fund Capital Account Statement.

c - Estimated Net Asset Value (NAV) based on the most recent financial information (may be unaudited) from the Underlying Fund and adjusted for any contributions or distributions since the valuation date for feeder funds. Other funds (e.g., not feeder funds) may not adjust for subsequent calls/distributions. Please refer to the Capital Account Statement.

d - Investment Multiple = (Distributions + Estimated NAV) / Contributions, net of applicable placement fee.

e - Last reported annualized net internal rate of return (IRR). IRR is the net return earned by investors over a particular period, calculated on the basis of cash flows to and from investors, after the deduction of all fees (except placement fee if applicable), including carried interest. In the early years of a Fund, fees and expenses are a more material component of the calculation, and have a greater impact on the Fund's IRR.

* - All amounts shown above are cumulative-to-date, without regard to transfer activity, if any.