

BLUM CAPITAL PARTNERS, L.P.

Item 1 - Cover Page

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This ADV Part 2A or Brochure provides information about the qualifications and business practices of Blum Capital Partners, L.P. ("Blum Capital"). If you have any questions about the contents of this Brochure, please contact Gwen Reinke, Esq., our General Counsel and Chief Compliance Officer at +1 415 434 1111 or by email to greinke@blumcapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Blum Capital is an investment adviser registered with the SEC. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Blum Capital also is available on the SEC's website at www.adviserinfo.sec.gov (SEC File # 801-47995).



Item 2 - Material Changes

On July 28, 2010, the SEC published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. Blum Capital's first annual amendment to the Brochure under the new SEC rule was filed with the SEC on March 31, 2011. Blum Capital subsequently filed an "other-than-annual" amendment to this Brochure on July 8, 2011 to reflect the changes in Item 13 and account review responsibilities related to the departure of Blum Capital's Chief Operating Officer and General Counsel and the appointment of a new General Counsel and on March 29, 2012 to make certain clarifications to information previously provided.

Currently we are updating our Part 2A as of July 12, 2012 to reflect changes in Items 4 and 13 and the account review responsibilities related to the departure of two of Blum Capital's managing partners to form a newly registered investment advisor who is providing investment services to Blum Capital effective July 1, 2012, the change in status the other managing partner to Senior Advisor, and the appointment of a new investment partner.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Firm's fiscal year end. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Gwen Reinke, Esq. at +1 415 434 1111 or greinke@blumcapital.com.

Additional information about Blum Capital is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Blum Capital who are registered, or are required to be registered, as investment adviser representatives of Blum Capital.

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Item 4 - Advisory Business**A. General Description of Advisory Firm**

Blum Capital Partners, L.P. ("Blum Capital" or the "Firm" or "we"), is a limited partnership organized under the laws of the State of California. The Firm's primary place of business is in San Francisco, CA. The Firm was established in 1975 and has been a federally registered adviser since 1989. The Firm's principal owners are Richard C. Blum and Associates, Inc. ("RCBA Inc."), its general partner (the majority ownership of RCBA, Inc. is held by Richard C. Blum and N. Colin Lind, the Firm's founders), and some of the Firm's employees. Richard Blum and N. Colin Lind have been partners for over 25 years and are the chief architects of Blum Capital's investment strategy. Mr. Lind intends to retire at the end of this year, but will continue to serve Blum Capital as a Senior Advisor and will continue to serve as member of Blum Capital's Investment Committee for the Strategic funds.

B. Description of Advisory Services

Blum Capital currently provides investment advisory services to pooled investment vehicles and may provide such services to separately managed accounts (the "Managed Accounts"). The pooled investment vehicles are not registered investment companies under the Investment Company Act of 1940, as amended ("Investment Company Act") and their securities are not registered under the Securities Act of 1933, as amended (the "Securities Act") ("Private Funds") and together with the Managed Accounts, ("Clients"). Blum Capital generally serves as general partner to or as adviser to the general partner for Private Funds or as adviser to Managed Accounts. The Firm manages Private Funds and Managed Accounts on a fully discretionary basis.

The Firm manages two types of Private Funds: the Strategic funds, a private equity fund product which invests in both public and private securities; and the Stinson funds, an evergreen pooled investment product which primarily invests in public equity securities. Within the Stinson funds, Blum Capital has a number of partnerships that were formed to accommodate specific large institutional investors with particular investment requirements and restrictions. The Strategic funds and the Stinson funds invest primarily in the U.S. and Canada. Additionally, Blum Capital and/or its related entities have established in the past and may establish in the future, on a transaction-by-transaction basis, certain Private Funds through which certain investors may invest along-side one or more of the Private Funds for a particular investment opportunity ("Co-Investment Vehicles" and together with the Private Funds, the "Blum Private Funds").

Because Blum Capital generally does not provide individual advice to investors within a Private Fund, investors should consider whether the particular fund meets their investment objectives and risk tolerance prior to investing. Information about a particular Private Fund can be found in its offering documents including its private placement memorandum ("PPM").

C. Client Assets Under Management

As of May 31, 2012, the Firm had \$ 1,607,891,853 in assets under management, all managed on a fully discretionary basis.

Item 5 - Fees and Compensation

A. Adviser Fees and Compensation

Managed Accounts

All fees for Managed Accounts are negotiable in Blum Capital's sole and absolute discretion.

Private Funds

The specific manner in which fees are charged by Blum Capital is established in each Private Fund's PPM and governing document (e.g., the limited partnership agreement).

Asset Based Compensation

Management fees for the Stinson funds are generally based on net asset value and provide for an annual management fee between 1% and 1.5%.

For the Strategic funds, management fees are based on the amount of capital commitment or the cost of remaining investments and provide for an initial annual management fee of 1.5% of committed capital (1.25% on invested capital after the commitment period).

Performance-Based Compensation

Each of the Blum Private Fund agreements provides for the allocation of a portion of its investment profits in the form of profit allocations to its affiliated general partner(s) as carried interest.

Profit allocations for the Stinson funds are generally allocated annually and represent an allocation of 20% of net aggregate profits (after taking into account the relevant hurdle rate or high water mark, as applicable).

The Strategic funds and their related investment vehicles have profit allocations that are subject to an 8% per annum compounded return to limited partners, with a 20% allocation of disposition proceeds and current income to the general partner, 80% to the limited partners.

For the Strategic funds, management fees or profit allocations are not charged to or may be waived or reduced with respect to investors who are Blum Capital employees, family members, or related entities of the general partners and/or managing members to the funds, or similar vehicles formed for the benefit of such persons or certain other investors as determined by the general partner or the managing member, as the case may be, in its sole discretion.

Co-Investment Vehicles

For the Co-Investment Vehicles, fees received are negotiated on a vehicle-by-vehicle basis, and may include fees and expenses similar to those discussed above for the Private Funds.

The management fees and other fees and expenses described above are subject to waiver or reduction by Blum Capital and/or its related entities in their sole discretion.

B. Payment of Fees

The Private Funds and Managed Accounts generally pay advisory fees or management fees either quarterly in arrears or quarterly in advance (less than six months in advance). For the Clients that pay in advance, the advisory agreements or the fund documents provide that, upon termination, Blum Capital will refund all management and other fees for which services have not been rendered. Profit allocations are assessed annually except for the Strategic funds which are assessed upon disposition of investments.

Managed Accounts

While Blum Capital currently manages only Private Funds, in the past, it also served as an adviser to Managed Accounts. For those Clients, the Firm has billed the Managed Account custodian or account representative, who upon approval of the bill, paid Blum Capital for management fees and performance fees via check or wire transfer. It has not been the Firm's past practice to deduct fees or expenses directly from a Managed Account.

Private Funds and Co-Investment Vehicles

The Firm deducts management fees or other fees and expenses quarterly from the Blum Private Fund accounts by instructing the fund custodian. Profit allocations are deducted from the Blum Private Fund accounts annually or upon disposition of investments.

C. Other Fees and Expenses

In addition to paying management fees and being charged profit allocations, the Blum Private Funds and Managed Accounts may also be subject to other investment expenses such as brokerage, registration and custodial fees, commissions and related costs, interest costs,

insurance costs, indemnification and litigation costs, taxes, duties and other governmental charges, legal fees, internal and external accounting fees, audit and tax preparation fees, and transaction and due diligence expenses (whether or not the transaction or investment is consummated). Some of these expenses, such as expenses in connection with a portfolio investment, or a proposed portfolio investment, are shared among the Private Funds and Managed Accounts and in such a case, are allocated to the Private Funds and Managed Accounts based on their pro rata share of these costs, at the sole discretion of Blum Capital.

D. Additional Compensation Information and Conflicts of Interest

Blum Capital and its related persons may receive director's fees, stock and options associated with some of its portfolio companies where a Blum Capital employee serves on the portfolio company's board. While such compensation may initially be received by Blum Capital or its related persons, Blum Capital has procedures in place to transfer the value of such director fees, stock and options to the relevant Blum Private Funds based on their pro-rata investment in the applicable portfolio company. Generally, such fees are credited pro-rata as an offset to the relevant Private Fund or Managed Account management fees.

Item 6 - Performance-Based Fees and Side-By-Side Management

Blum Capital provides investment management services to multiple funds and accounts. Each of the Private Fund agreements and historically the Managed Account agreements provide for the payment of performance fees. Blum Capital will structure any performance or incentive fee arrangements subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 under the Advisers Act. In measuring Clients' assets for the calculation of performance-based fees, Blum Capital includes realized and unrealized capital gains and losses.

The Blum Private Funds allocate a portion of their investment profits (e.g., profit allocations) to their affiliated general partner as carried interest, and certain of Blum Capital's personnel are compensated on a basis that includes performance-based fees. Performance-based fee arrangements may create an incentive for Blum Capital's personnel to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The investors in the Blum Private Funds may have conflicting investment, tax and other interests with respect to their investments in that Fund. The conflicting interests of individual investors may relate to, or arise from, among other things, the nature of portfolio investments, or their structuring, acquisition or disposition. As a consequence, conflicts of interest may arise in connection with decisions made by the Blum Capital and its related entities, including with respect to the nature or structuring of portfolio investments, which may be more beneficial for one investor than for another investor in a particular Blum Private Fund, especially with respect to an investor's individual tax situations. In selecting and structuring portfolio investments appropriate for its Clients, the Firm and its related entities will consider the investment and tax objectives of its Clients and its investors as a whole, not the investment, tax or other objectives of any Client or investor individually.

In managing multiple Private Funds, potential or actual conflicts of interest may occur. For example: a conflict may arise when a Blum Private Fund makes an investment in a company where another Blum Private Fund already has an investment in the same company. Another example is when a public equity investment in which one or more Stinson funds and one or more Strategic funds have a position, may, over time, become a take-private transaction. As a result, the relevant Stinson funds will be required to liquidate the investment, thus creating a potential conflict of interest between the Stinson funds and Strategic funds. Furthermore, in such circumstances, it may require the Strategic funds to use fund capital to pay the Stinson funds. In such a case, Blum Capital may be required to consult and obtain approval for the transaction from one or more of the Blum Private Fund's independent advisory committees.

Many of the material potential or actual conflicts of interests encountered as a result of managing multiple funds will be resolved by internal Blum Capital procedures, or other restrictions or provisions contained in the relevant Blum Private Funds' governing documents (e.g., the limited partnership agreement).

Some of the Blum Private Funds (excluding the Strategic funds) permit an investor to withdraw capital pursuant to the terms of the relevant fund agreement, typically on an annual basis. Investors in the Stinson funds generally have annual withdrawal rights. Withdrawals may be made with advance written notice subject to an initial lock-up period and, to the extent applicable, "gates" on the amount or percentage of such withdrawals. With respect to public equity securities held by the Private Funds, there may be situations in which Blum Capital is required to liquidate all or a portion of a public equity security held by its Private Funds prior to the time that it would otherwise take such an action strictly because certain investors in such Private Funds make withdrawal requests. If this occurs, the returns of the Private Funds that hold the relevant public equity security may be impacted. Investors in a Private Fund should consult the particular Private Fund's PPM for specific procedures and restrictions with respect to withdrawals.

Item 7 - Types of Clients

Blum Capital serves as adviser and/or general partner of or managing member of various Blum Private Funds and has previously served as investment adviser to Managed Accounts.

The Blum Private Funds qualify for an exception from the definition of “investment company” under the Investment Company Act, pursuant to either Section 3(c)(1) or 3(c)(7), and offer their interests to investors pursuant to Regulation D under the Securities Act. As such, this Brochure should not be considered to be an offer of interests in any of the Blum Private Funds. Investors in the Blum Private Funds must meet the requirements for “accredited investors” under the Securities Act and “qualified clients” under the Advisers Act. For most of the Blum Private Funds, the investors must also be “qualified purchasers,” as defined by the Investment Company Act. Each of the Blum Private Funds imposes minimum investment requirements for admission as a limited partner or member, as the case may be. Minimum investment requirements for the Blum Private Funds are set forth in each Blum Private Fund’s PPM.

Blum Capital’s investors in the Blum Private Funds include corporate and state/local pension and profit-sharing plans, trusts, endowments, foundations, charitable organizations and estates, corporations, limited partnerships, limited liability companies, banks and thrift institutions and high net worth individuals.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Blum Capital invests in both public and private companies through a variety of formats including Public Strategic Blocks (large stakes in public companies typically acquired through the open market), structured minority transactions and control transactions. Investments are typically longer-term (2-3 years or longer) and may include unregistered debt, preferred equity securities, or convertible equity or debt securities of public or private companies as well as common equity securities.

While some of the Blum Private Funds' investment guidelines permit investments in publicly traded options, futures and derivatives, the Funds generally will not invest in such investments, except for bona fide hedging purposes.

A. Method of Analysis

Blum Capital employs a value-oriented approach and invests in securities it believes are undervalued. In determining the purchase price it is willing to pay for a business, Blum Capital generally focuses on the following financial criteria: a 10% *cash-on-cash yield* combined with a projected 10% *growth rate in the free cash flow* of the business.

The typical market capitalizations of the public companies that Blum Capital targets are \$300 million to \$5 billion. There are approximately 2,500 companies in this universe, of which, approximately 300 potentially fit Blum Capital's investment criteria. These companies are proactively tracked and monitored, including visits by our investment team; attendance at industry conferences; preliminary due diligence work on over one hundred companies a year; and the maintenance of research databases and evaluation screens. Our sources of information include, among others, brokerage and third-party research materials and services, financial newspapers and magazines, inspection of corporate activities, outside research consultants and experts and annual reports and filings with the SEC.

In addition to these ongoing public company research activities, Blum Capital also utilizes its extensive network of industry, business and personal contacts to source potential investments, as well as its private equity focused principals' networks of consultants, brokers, former employees, executives, and industry experts.

B. Investment Strategies

We invest as financial sponsors in public and private companies through a variety of formats including Public Strategic Blocks (large stakes in public companies typically acquired through the open market), structured minority transactions and control transactions. Our public/private sponsor investment strategy has been consistently demonstrated during our 35+-year track record of: 1) proactively identifying attractive businesses to own; 2) determining the most

favorable ways to invest in those businesses across the public/private spectrum; and 3) helping to drive value creation as an active, engaged partner (or “sponsor”) to management teams and boards of directors. By leveraging our flexibility to invest across a variety of investment formats, we seek to identify and capitalize upon investment opportunities with the most favorable risk/reward characteristics across the public/private spectrum, taking into account financial leverage/balance sheet risk, liquidity and the relative benefits of influence versus control.

The key elements of our public/private investment strategy are:

- *Business quality:* We proactively target and acquire stakes in high quality businesses in both the public and private markets. We believe in the importance of investing in businesses with defensible franchises, long-term growth potential, high returns on invested capital and high surplus cash flow generation.
- *Entry valuation:* As a value-oriented investor, we look to take advantage of out-of-favor or neglected situations that offer compelling entry valuations, including giving consideration to situations where we are able to structure terms that provide an incremental margin of safety against permanent capital impairment. We exercise patience and discipline in selecting and structuring such opportunities.
- *Value-add:* As a financial sponsor, our intent is to be one of the largest and/or most influential shareholders/owners of our portfolio companies and to build a constructive partnership with the management team and/or the board of directors in order to implement leadership (including governance), business (including operating improvement) and financial strategies. This type of collaboration allows us to initiate and assist in the implementation of value-added strategies designed to effect positive change and enhance the performance of investments independent of the performance of the overall financial markets.
- *Long-term time horizon:* We are long-term investors with a target time horizon that is typical of most private equity investors. Our long-term time horizon provides a necessary foundation for our sponsorship-driven investment strategy as we match the planning and value-realization horizons of our partner management teams. In addition, it offers important advantages for our Public Strategic Block investments, which frequently capitalize on volatility created by short-term participants in the public markets.
- *Focus on small/mid-cap opportunities:* We focus our efforts on small and mid-cap companies because it is within this universe of companies that we are able not only to find situations that are ignored or “under the radar screens” of mainstream research, but also to gain the appropriate level of influence as shareholders/owners. For our Public Strategic Blocks, the core focus is on companies with market capitalizations of \$300 million to \$5 billion. In the context of privately-negotiated transactions, we are generally viewed as participating in the “middle market”, but we typically avoid auction processes and focus on proprietary or semi-proprietary/negotiated opportunities sourced through our

differentiated networks, including our public market engine and existing Public Strategic Block holdings.

C. Material Risks (Including Significant or Unusual Risks) Relating to Blum Capital's Investment Strategy

There can be no assurance that Blum Capital's investment objectives will be achieved or that its Clients will receive a return of capital. An investment in a Private Fund involves a high degree of risk. Investors in a Private Fund and Managed Account clients should carefully consider the following factors, which do not purport to be a complete list of all the risks involved in such an investment.

Implementation of Blum Capital's Investment Strategy. The success of Blum Capital's investment strategy, particularly in regard to its Public Strategic Block investments, depends in large part on the Firm's ability to identify undervalued and overvalued investment opportunities and exit points and to exploit price discrepancies in the capital markets. Identification and exploitation of the investment strategies to be pursued involve a high degree of uncertainty. No assurance can be given that the Firm will be able to locate suitable investment opportunities in which to deploy all of a Client's invested capital. A reduction in the volatility and pricing inefficiency of the markets in which the Firm will seek to invest, as well as other market factors, will reduce the scope for the Firm's investment strategies. Additionally, the success of Blum Capital's investment strategy, particularly in regard to its Public Strategic Block Investments is in large part premised upon Blum Capital's ability to work with and influence management in its portfolio company investments. There can be no assurance that the management of any portfolio company will agree to Blum Capital's proposed strategic initiatives, or that the strategy or strategies that Blum Capital helps to implement will be effective. Target companies may respond to Blum Capital's proposals by taking defensive measures that may adversely affect the value of a Client's investment and may result in higher transaction expenses if the Firm must resort to measures to protect the value of its investment that involve litigation or shareholder governance activities, such as a proxy solicitation. If Blum Capital must resort to measures, such as litigation or proxy solicitations, in order to protect the value of its investments, such activity could produce negative publicity for the Firm and its Clients. While we believe the confidentiality of our Clients will be protected, there is no certainty that such adverse publicity will not have adverse consequences.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and successfully disposing of attractive Public Strategic Block and control investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that Blum Capital will be able to locate, complete and exit investments which satisfy a Private Fund's or Managed Account's rate of return objectives; or realize upon their values; or that it will be able to fully invest its committed capital. To the extent that the Firm encounters competition for investments, returns to Clients may decrease.

Investments in Smaller Capitalization Companies. Blum Capital may invest in the stocks of companies with smaller market capitalizations. While the Firm believes that such investments often provide significant potential for appreciation, it recognizes that such investments may involve higher risks than investments in the stocks of larger companies, including greater volatility, risk of insolvency and lower market liquidity.

Limited Information. Generally, Blum Capital's investment in strategic public investments will be made based on information available to the public at large. By comparison, privately-negotiated transactions, the type of transactions pursued by most private equity and corporate buyout funds, are usually completed based upon information gathered through contact with and access to the counter-party's records, facilities and personnel. Therefore, this disparate amount of information may negatively affect the Firm's certainty of achieving a particular outcome in connection with a Public Strategic Block investment.

Non-Control Investments. Blum Capital may hold a non-controlling interest in certain portfolio companies and, therefore, may have a limited ability to protect its positions in such portfolio companies. In such cases, the Firm will be significantly reliant on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom Blum Capital and its related entities are not affiliated and whose interests may conflict with the interests of Blum Capital and its related entities.

Control Investments, Directorships and 10% Ownership. Blum Capital may acquire control positions in certain companies in which it invests. Additionally, employees of Blum Capital and its related entities may serve as directors of portfolio companies in which its Clients are invested. The exercise of control over a company through a control position, or the service of an employee of Blum Capital or its related entities as a director of such company, could: (i) expose a Client's assets to claims by such company, its security holders and creditors, or (ii) impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored. If these liabilities were to occur, Blum's Clients directly, and the investors indirectly, would likely suffer losses in their investments.

In addition, Blum Capital's aggregate acquisition of more than 10% of the equity securities of certain portfolio companies or the service by employees of Blum Capital and its related entities as directors may subject it to liability for "short-swing profits" under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Under Section 16(b), holders of more than 10% of any class of equity securities of a company registered under Section 12 of the Exchange Act and certain officers and directors of such an issuer are prohibited from any purchase and sale, or any sale and purchase, of any equity or derivative security of such issuer within any period of less than six months. If Blum Capital engages in a transaction that results in short-swing profits, the Firm and its related entities may be required to return the amount of such profit to the issuer, which could adversely impact the overall return on investment realized by its Clients that have an investment in such equity securities of

the issuer. Measures to avoid short-swing liability as well as a requirement to abide by a portfolio company's trade windows and black-out periods may limit Blum Capital's ability to buy or sell securities of target companies.

Risks Associated with Publicly Traded Investments. Blum Capital may invest a substantial portion of a Client's total commitments or assets in publicly traded securities. Investments in securities of publicly traded companies may be sensitive to movements in the stock market and trends in the overall economy. In addition, by investing in publicly traded securities, its Clients will be subject to federal and state securities laws which may, among other things, restrict or prohibit the Firm's ability to sell a particular investment.

Material, Non-Public Information. Blum Capital may acquire confidential or material non-public information or otherwise be restricted from initiating transactions in certain securities. In such a case, the Firm will not be able to act upon any such information. Due to these restrictions, the Firm may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell a portfolio investment that it otherwise might have sold.

Leverage. Certain of the Blum Capital's portfolio companies may have capital structures with significant leverage. Consequently, the leveraged capital structure of such portfolio companies will increase their exposure to adverse factors such as rising interest rates, downturns in the economy or deterioration in the business of the portfolio companies or their industry, and may impair such companies' ability to meet their debt obligations. Leverage may also take the form of trading on margin, which will result in interest charges that could be substantial. The use of leverage will have the effect of increasing the volatility of Blum Capital's investments.

Illiquid and Long-Term Investments. Generally, there may be no readily available market for a substantial amount of the Blum Capital's portfolio investments. Some investments held by certain Clients may not be able to be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144 or another exemption under the Securities Act. The market prices, if any, of such investments tend to be volatile, and Blum Capital may not be able to sell such investments when it desires, or, upon sale, to realize what it perceives to be their fair value. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements applicable to publicly traded securities. Even where Blum Capital holds publicly-traded securities, its position may represent a significant portion of the outstanding public float of a particular company, creating a degree of illiquidity in the event that the Firm wished to, or was required to, dispose of or reduce its position in such company by selling shares into the market. Dispositions of such investments may require a lengthy time period or may result in distributions in kind to the investors. In the event that Blum Capital acquires control positions in certain companies as discussed above, or acquires an interest in certain companies where officers or employees of Blum Capital and its related entities serve as directors, the filing of various forms required by Section 16(b) of the Exchange Act as part of the process of selling shares may negatively impact the price of the shares that can be obtained. If Blum Capital were forced to sell such an investment, it may not receive fair value for that investment.

Risk of Limited Number of Investments. Blum Capital employs a concentrated investment strategy and, as such, generally participates in a limited number of investments and, as a consequence, its Clients' aggregate returns may be substantially adversely affected by the unfavorable performance of even a single investment. To the extent Blum Capital concentrates its investments in a particular issuer, industry, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic to business conditions with respect thereto.

Market Dislocation. Recent events in the sub-prime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets, as well as in the wider global capital and financial markets. In particular, recent economic and financial market conditions have significantly deteriorated as compared to prior periods. Global financial markets have recently experienced considerable declines in the valuations of equity and debt securities, an acute contraction in the availability of credit and the failure of a number of leading financial institutions. To the extent Blum Capital's portfolio companies participate in or have exposure to such markets, the results of their operations may be adversely affected. In addition, to the extent that such marketplace events continue and/or worsen, this may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Further, economic downturn could adversely affect the financial resources of the Firm's portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, Clients could lose both invested capital in and anticipated profits from the affected portfolio companies. Such marketplace events have also severely decreased the availability of financing (and increased the interest cost) for investments, which may impair Blum Capital's ability to consummate certain transactions or cause the Firm to enter into certain transactions on less attractive terms. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling or less willing to finance new private equity investments or only to offer committed financing for these investments on less favorable terms than had been prevailing in the past.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory changes could occur that may adversely affect Clients, Blum Capital's portfolio companies or investors in the Blum Private Funds. Blum Capital invests in portfolio companies that operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. New and existing regulations and burdens of regulatory compliance may directly impact the business and results of the operations of, or otherwise have a material adverse effect on, portfolio companies that are subject to regulation. Failure to comply with any of these laws, rules and regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of

adverse consequences, including civil penalties and fines, which may have material adverse effects.

Non-U.S. Investments. Blum Capital may invest in portfolio investments outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the fund's non-U.S. investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation or other changes in law; (iv) the possible imposition of non-U.S. withholding and other taxes on income and gains recognized with respect to such securities; and (v) less developed corporate laws regarding fiduciary duties and the protection of investors. Additionally, foreign investment in securities of companies in certain of the countries is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment above certain ownership levels or in certain sectors of the country's economy and increase the costs and expenses. While regulation of foreign investment has liberalized in recent years throughout much of the world, there can be no assurance that more restrictive regulations will not be adopted in the future. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales by foreign investors and foreign currency. Foreign investments could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital interests and dividends paid on securities, and income on such securities or gains from the disposition of such securities may be subject to withholding taxes imposed by certain countries.

Hedging Policies/Risks. In connection with the financing of certain portfolio investments, Blum Capital may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while Clients may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance than if the Firm had not entered into such hedging transactions.

Expedited Transactions. Blum Capital's investment analyses and decisions may be undertaken on an expedited basis in order to take advantage of available investment opportunities. In such cases, the information available to the Firm at the time of the investment decision may be limited, and the Firm may not have access to the detailed information necessary for a thorough evaluation of the investment opportunity. Further, Blum Capital may have to conduct its due diligence activities over a very brief period.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of its management. Blum Capital has no information to disclose applicable to this Item.

Item 10 - Other Financial Industry Activities and Affiliations**A. Description of Other Financial Industry Activities and Affiliations**

The Blum Private Funds have and may in the future enter into agreements, or “side letters,” with certain prospective or existing limited partners or investors whereby such limited partners or investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for a Blum Private Fund. For example, such terms and conditions may provide for special rights to make future investments in the fund; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the limited partner or investor and/or other terms; rights to receive reports on a more frequent basis or that include information not provided to other limited partners or investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by Blum Capital and such limited partners or investors. The modifications are solely at the discretion of Blum Capital and may, among other things, be based on the size of the limited partners’ or investors’ investment in a Blum Private Fund, an agreement by a limited partner or investor to maintain such investment in a Blum Private Fund for a significant period of time, or other similar commitment by a limited partner or investor to the fund. Blum Capital and its related entities generally have no obligation to disclose the details of these side letter agreements to all the investors in the relevant Blum Private Fund.

Certain employees and advisers of Blum Capital serve on the boards of directors of several public and private companies, which are issuers of securities held by the Firm’s Clients including: Avid Technology, Inc., CBRE Group, Inc., Current Media L.L.C., Fairmont Raffles International Holdings Limited, JDA Software, Inc., Pacific Alliance Group Holdings Limited, PRGX Global, Inc., Suntron Corporation and Xtralis Group Holdings Limited. In addition, one of the Firm’s partners is on the board of directors of an unaffiliated registered foreign investment fund. Conflicts may arise in allocating time, or serving in the role as board member and as a Blum Employee managing the investment for the Firm’s Clients. In such cases, Blum Capital has internal procedures to handle these potential or actual conflicts, or if there is no specific procedure, the Firm’s management committee will be responsible for resolving the potential or actual conflict. (See further discussion in Item 10B.)

Blum Capital and certain of its affiliates are limited partners in partnerships or members in limited liabilities companies that, in some cases, are the general partner in private funds that acquire equity interests in operating companies outside the U.S., primarily in Asia “Other Private Funds”. These “Other Private Funds” are managed by an unaffiliated investment adviser and its related entities. As a limited partner in these funds, Blum Capital has limited participation in these investments. One of the Firm’s partners, by agreement, has shared investment authority over some of the mature investments in certain of the Other Private Funds that are still active, and some of the Firm’s employees spend part of their time

monitoring the investments. Blum Capital's general partner has established and serves as general partner to a partnership in which it manages these investments and interests (but does not provide investment advice), and some of the Firm's employees are invested in and in some cases, serve as officers in these entities:

Blum Investment Partners, Inc.

Blum G.C., L.P.

Blum G.A., L.L.C.

LAF Advisors, L.L.C.

FEBI, L.L.C.

RCBA Newbridge LAF, L.L.C.

RCBA LAF Equity Partners, L.L.C.

RCBA LAF Advisors, L.L.C.

Blum G.A. III Equity Partners, L.L.C.

Blum G.A. III, L.L.C.

Blum G.A. IV, L.P.

B. Managing Potential Conflicts related to Financial Industry Activities and Affiliations

The Firm's management committee members, in consultation with the Chief Compliance Officer and Chief Financial Officer, are responsible for identifying, reviewing, and resolving potential and actual conflicts of interest with Blum Capital's Clients. The management committee is responsible for reviewing any proposed board of director positions or financial industry activities in which Blum Capital and or its employees may participate for potential conflicts of interest, and for approving such affiliations and activities. The Chief Compliance Officer, along with the Firm's compliance committee, are responsible for designing procedures, where applicable, to address the potential or actual conflicts. All of the Firm's employees have the duty to report any material potential or actual conflicts of interest to the management committee and or the Chief Compliance Officer. All material conflicts of interest are reviewed and resolved by at least one or more members of the Firm's management committee.

Item 11 - Code of Ethics**A. Code of Ethics.**

Blum Capital has adopted a formal Code of Ethics & Conduct ("Code") which details policies and procedures that are intended to ensure the Firm's compliance with its fiduciary obligations to its Clients and to ensure that its employees discharge their duty of loyalty to the Firm's Clients. The Code includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, restrictions on the giving and acceptance of gifts and the reporting of certain gifts and business entertainment items, restrictions on and preclearance of political contributions, and preclearance of certain personal securities transactions, among other things. All employees at Blum Capital must acknowledge the terms of the Code at least annually or when it is materially amended.

The Code is designed to assure that the personal securities transactions, activities and interests of Blum Capital's employees will not interfere with: (i) making decisions in the best interest of its Clients; and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these transactions will not materially interfere with the best interest of Blum's Clients. In addition, the Code requires preclearance of many transactions and restricts trading in close proximity to Client trading activity. An employee is required to execute an approved trade within two business days of receipt of approval, or seek new approval. Nonetheless, because the Code in some circumstances does permit employees to invest in the same securities as Blum's Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Employee personal trading is continually monitored under the Code to reasonably prevent conflicts of interest between Blum Capital and its Clients.

As a matter of Firm policy, Blum Capital recognizes that certain employees (investment professionals), who are directly involved in the investment decision process or who provide information and advise those who make investment decisions, face greater potential for conflicts of interest in their personal investment activities, particularly when they invest in the same types of securities that Blum Capital's Clients invest. Accordingly, the Firm has imposed additional restrictions on investment professionals, who are generally prohibited from making direct investments in publicly traded companies and who must disclose to the Firm's investment committee and Chief Compliance Officer any direct or indirect pecuniary, business or personal interest they have in any securities which they are recommending.

The Code also contains procedures to prevent insider trading and to prevent employees, associated persons and certain relatives of employees from benefiting from any price movement that may be caused by Client transactions or the Firm's recommendations regarding such securities. Trading by Blum Capital, its employees and its associated persons (and certain

of their relatives) is restricted in recognition of inside information or impending decisions to invest on behalf of Clients. Blum Capital's employees are required to pre-clear, report and/or disclose certain reportable securities transactions to the Firm's Chief Compliance Officer on a monthly basis.

Blum Capital's Code also contains provisions intended to prevent violations of the law, avoid conflicts of interest and prevent violations of the Foreign Corrupt Practices Act. A Client or prospective Client can obtain a copy of Blum Capital's Code of Ethics, upon written request, by contacting Gwen G. Reinke, Esq., Blum Capital Partners, L.P., 909 Montgomery Street, Suite 400, San Francisco, CA 94133.

B. Client Transactions in Securities where Blum Capital has a Material Conflict of Interest

Blum Capital generally acts as general partner or managing member and investment adviser to several Private Funds and Managed Accounts and may, consistent with its legal and fiduciary obligations, sponsor additional Private Funds and advise additional Managed Accounts in the future to pursue particular investment opportunities. Blum Capital and its related entities use Blum Capital personnel and resources to manage the investments. Blum Capital employees attempt to avoid conflicts of interest that may arise as a result of the management of multiple Clients' accounts. Blum Capital may give advice or take action with respect to a Private Fund or Managed Account that may differ from advice or action taken by Blum Capital on behalf of another Client account.

Blum Capital's investment style is such that it generally invests in a significant number of shares in relatively few securities across its Clients' accounts. Transactions may be individually negotiated with the security issuer, and one or more of Blum Capital's Clients may invest in the same position simultaneously. Blum Capital's Clients may trade in the same securities with other Client accounts on an aggregated basis when consistent with Blum Capital's obligation of best execution. Blum Capital has procedures designed and implemented to ensure that all Clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among Clients. Blum Capital addresses potential conflicts by adhering to a consistent trade allocation procedure, allocating investment opportunities pro-rata based on the Client's cash availability, taking into account portfolio weightings and other considerations. These procedures are monitored by Blum Capital's Chief Financial Officer.

Occasionally, Blum Capital and/or its related entities may give certain investors, including unaffiliated third parties, an opportunity to co-invest alongside its Private Funds. In all cases, conditions of these investments are disclosed to its Clients.

Because Blum Capital and its related entities serve as general partner or managing member and investment adviser to Blum's Private Fund, some of Blum's Clients may invest in those Private Funds. Although Blum Capital's Clients do not engage or pay Blum Capital to advise them as to the appropriateness of investing in the Blum Private Funds, because of Firm's relationship

to these Funds, Blum Capital may be considered to have “recommended” such investments to its Clients. This practice creates a conflict of interest because the Firm or its related entity has an incentive to recommend such an investment based on its own financial interests, rather than solely the interest of a Client. To address the potential conflict, the decision to invest in a Blum Private Fund is made by a representative(s) of the Client who is experienced in investment matters and who, in most cases, negotiates with Blum Capital regarding the structuring of the relevant Private Fund. Additionally, Blum Capital addresses this potential conflict by waiving the investment fees at the Managed Account level, so that Clients are not charged a fee at both levels.

Generally, it is the Firm’s policy that it will not make principal or agency cross securities transactions for Client accounts or make cross trades between Client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to an advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated Private Fund and another Client account, for example. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Blum Capital is not dually registered as a broker-dealer nor does it have an affiliated broker-dealer.

C. Investing in Securities Recommended to Clients

From time to time, the Firm may recommend or cause a Client to invest in a security in which Blum Capital or a person associated with Blum Capital has an ownership position or of which an employee of Blum Capital is a director. Blum Capital or a person associated with Blum Capital may purchase a security of the same class of securities held in a Client account or recommended by Blum Capital. In addition, because several Clients are limited partners or members of one or more of the Blum Private Funds, Blum Capital may be considered to participate, indirectly, in transactions effected for those Clients.

As adviser and/or general partner to the Private Funds, Blum Capital and/or its related entities, participate in the investments in such Private Funds, in accordance with the terms of the partnership agreement or operating agreement, and receive a portion of the annual allocation of the net capital appreciation or carried interest in the Private Funds. Partners and other Blum Capital employees may receive annual compensation which in part, is based on the performance of the Private Funds and Managed Accounts and may also be permitted to invest in the Private Funds (in some cases through affiliates of Blum Capital) as knowledgeable employees.

Item 12 - Brokerage Practices**A. Broker-Dealer Selection Criteria**

Blum Capital employs a long-term concentrated strategic block investment approach which is not trading intensive. Accordingly, our trading strategy is less focused on price when compared to more trading intensive investment strategies. The Firm generally selects brokers and dealers to execute Client transactions based primarily upon their ability to deliver best price and execution. The reasonableness of a broker's commission or a dealer's markup or markdown is a factor in the Firm's decision, as is the overall quality and level of service offered by such broker or dealer, the value of advice and research reports including third party research, the broker's ability to locate liquidity and minimize market impact, the broker's ability to maintain confidentiality of the Firm's trading intentions, and any other relevant factors that impact the price or execution of a trade. Blum Capital may, in some instances, pay commissions that are higher than those obtainable from other brokers when all relevant factors (including research reports provided) in broker selection are reviewed and evaluated in totality. Blum Capital, on behalf of the Private Funds it manages, has entered into an agreement with BTIG, LLC ("BTIG"), a broker-dealer, to provide brokerage and trading services to some of the Private Funds. Under this arrangement, Blum Capital places the terms of an order with BTIG, and provides BTIG with annual target usage for each broker approved by Blum Capital. This target usage is based on the various price and execution factors discussed above. BTIG has discretion to place a particular order with any of these approved brokers, including executing the trade in-house. Where possible, Blum Capital's usage targets will be followed, but they are subject to BTIG's duty to seek best execution. On occasion, Blum Capital may trade directly with other brokers or direct BTIG to trade with a particular broker. BTIG uses its total firm trading volume to negotiate commissions with brokers and has established uniform commission rates for the brokers on Blum Capital's approved list. Blum Capital's use of BTIG may yield benefits to Blum Capital such as increased administrative ease. In consideration for providing the brokerage and trading services, Clients pay additional commissions to BTIG for trades that are placed with other brokers based on the number of shares purchased or sold. BTIG has an agreement with Goldman Sachs Execution and Clearing, L.P. ("Goldman Sachs"), who serves as prime and clearing broker and custodian to some of the Private Funds for which BTIG is the executing broker. Blum Capital and its related entities reserve the right, in their sole discretion, to change prime brokerage and custodial arrangements without further notice to its investors. Some of the Stinson funds were formed to accommodate single larger institutional investors, and some of those investors have opted to use other custodians.

B. Soft-Dollar Practices

Generally, Blum Capital does not pay separately for advice and research reports, but rather receives such advice and reports from brokers or third parties who execute portfolio transactions for Clients. Research received from brokers is generally used to service all of the Clients. In general, if a particular broker's research was significant in the decision to purchase a security, transactions may be directed to that broker by providing BTIG target usage, assuming

that broker can provide best execution. The Firm does not formally commit to provide any particular level of commissions to brokers who provide proprietary research or other services. Research products and services provided to Blum Capital generally include research reports on particular industries and companies; economic surveys, data, and analyses; recommendations as to specific securities; financial publications and other products or services (e.g., software based applications for market quotes and news; database programs providing timely portfolio company and industry data; and daily access to broker/analyst recommendations) that provide lawful and appropriate assistance to Blum Capital in the performance of its investment decision-making responsibilities.

Soft-dollar products and services are not proportionally allocated to Client accounts and these accounts may generate different amounts of the soft-dollar benefits. Blum Capital generally uses such products and services for the benefit of all of its Clients, sometimes including accounts other than those that pay commissions to the broker that provided the products or services. Blum Capital does not attempt to allocate the relative costs or benefits of research among Clients' accounts because it believes that, in aggregate, the research it receives benefits all Clients and assists Blum Capital in fulfilling its overall duty to its Clients. Some of the products Blum Capital obtains are "mixed-use" or can be used for both research and non-research purposes, such as for administration or marketing. In such cases, Blum Capital has a conflict of interest in allocating the costs of such services between those that primarily benefit Blum Capital and those that primarily benefit its Clients. In these cases, the Firm makes a good faith allocation of the portion of those services used for non-research purposes and pays directly for such portion of those services from its own funds.

Blum Capital's consideration of the value of research services or products is done in a manner that satisfies the requirements of the safe harbor provided in Section 28(e) of the Exchange Act. In providing target brokerage usage to BTIG or before placing orders directly with another broker, Blum Capital generally determines, considering all the factors described above, that the commissions to be paid are reasonable in relation to the value of all the brokerage and research products and services provided by that broker-dealer. In making that determination, the Firm may consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular Client, but also the value of those services in the Firm's performance of its overall responsibilities to all of its Clients. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide trading and/or research services or products might charge.

C. Trade Aggregation

Blum Capital may and generally does aggregate the trade orders of some or all of its Clients. All orders placed for execution on an aggregated basis are subject to Blum Capital's Trade Block Allocation procedures. Under these procedures, Client account purchases are generally allocated based on cash availability (subject to portfolio weightings and other considerations) in 2.5% weighting increments. If a Client account is above an increment level, it will not

participate in a trade, until other accounts with cash available “catch-up” to the weighting tier. Weightings are determined using prior day closing valuations and in most cases, become the basis for the current day’s purchase allocation. Sales are generally allocated on a pro rata basis among the participating Client accounts. Where a security is purchased or sold through more than one broker at different prices, the allocation is prepared on an aggregate basis so that each account participating in the block order will receive the average price for all transactions in a particular security on a particular day. Adjustments to the allocation may be made to avoid de minimis allocations to Client accounts. In some cases, the Firm may be unable to locate amounts of a security sufficient, in the case of purchase, to place desired amounts in any Client’s account, or in the case of sales, to sell a significant portion of positions held in Client accounts. In allocating transaction opportunities among Clients, the Firm considers all relevant factors in order to ensure that allocations are equitable over time.

D. Directed Brokerage and Client Referrals

Blum Capital does not allow its Clients to direct brokerage.

On occasion, Blum Capital’s executing broker, BTIG, and/or other broker-dealers with whom Blum Capital or BTIG directs trades on behalf of Blum’s Clients, will refer potential Clients to Blum Capital. See further discussion of the potential conflicts of interest associated with this practice in Item 14C.

Item 13 - Review of Accounts

Blum Capital has relatively few Clients and typically acquires relatively few securities positions for each Client. Messrs. Blum, Lind, Park, Chung, Westley and Mme. Su, along with Messrs. Dossey and Young of Tensile Capital Management LLC ("Tensile") are primarily responsible for monitoring all investments.

Blum Capital has entered into an agreement with Tensile whereby Tensile and Doug Dossey and Arthur Young, former managing partners of Blum Capital, will provide investment advice to Blum Capital on certain of its portfolio positions, including providing on-going research and analysis. Messrs. Dossey and Young will also continue to serve on the investment committee for Blum Capital's Strategic funds.

Messr. Scholvinck and Mme. Reinke and their support personnel, review Client account activities and positions and monitor Clients' accounts for financial and regulatory reporting relating to security positions. Reports regarding Client account positions are also provided through BTIG, or in the case of certain single limited partner funds, where the custodial arrangement has been selected or determined by the limited partner, from such custodian.

A. Frequency and Nature of Review

Managed Accounts generally receive a quarterly statement showing a list of securities held in the account, including number of shares (or other units), cost, and market value as of quarter-end; statement of cash balances, account performance data, including performance against the relevant benchmark, a narrative summarizing portfolio activity and its current status; and such additional periodic reports as Client's may request. All such reports are in addition to and separate from the confirmation and statements provided to the Client directly by a third party custodian.

Private Fund investors (including Co-Investment Vehicles) receive the fund's unaudited financial statements as of quarter-end (first three quarters of the fiscal year) and the fund's audited financial statements as of year-end (fourth quarter of the fiscal year), a schedule of the investor's allocable share of the fund's equity and of the fund's activity on a year-to-date and inception-to-date basis; a listing of the fund's securities holdings at the end of the period; and a narrative letter summarizing the fund's activity for the quarter and current status of the fund's investments. Each investor also receives relevant tax reporting information. Annual audit reports are provided in accordance with the Custody Rule. Reports may be sent to a third party service provider, such as the investor's financial consultant, tax advisor or independent custodian, if requested to do so by the investor. Certain large investors in Private Funds may negotiate (in side letters, for example) to receive more frequent or more detailed information about the relevant fund or certain special reports. As such, these investors will be privy to

certain information regarding one or more of the Private Funds that may not be available (or may be available at a later date) to other investors in those funds.

Investors should refer to the relevant Private Fund's PPM or agreement for more information about the reports provided.

B. Confidentiality of Certain Information

Blum Capital, in certain cases, may not disclose certain security positions held in Client accounts in an effort to protect the confidentiality of those positions. Further, certain Private Fund security positions may not be disclosed in the audited financial statements of the Private Funds if it is determined that such confidential treatment is desirable and permissible.

Item 14 - Client Referrals and Other Compensation**A. Economic Benefits Received from Non-Clients**

Blum Capital receives certain research or other products or services from broker-dealers through soft-dollar arrangements. These soft-dollar arrangements create an incentive for Blum Capital to select or recommend these broker-dealers based on the Firm's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transactions costs for the Firm's Clients. Please refer to Item 12 for further information on Blum Capital's "soft-dollar" practices.

B. Compensation Paid to Supervised Employees for Client Referrals

Blum Capital may occasionally pay discretionary bonuses to certain employees in recognition of the acquisition of new assets under management.

C. Referrals by Non-Supervised Persons.

Blum Capital may receive referrals for potential investors in the Private Funds from some of its brokers, custodians, or other persons or entities that have business relationships with Blum Capital. While the Firm does not pay for these referrals, such referrals may create an incentive for the Firm to select these brokers-dealers and/or custodians, or other persons or entities for future business.

Item 15 - CustodyManaged Accounts

Pursuant to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), a Managed Account must receive quarterly account statements directly from the account's custodian. Currently, Blum Capital does not have any Managed Account arrangements where it has custody over any funds or securities in a Managed Account. As required by Custody Rule, Managed Account cash and securities will be maintained with a qualified custodian.

Managed Account representatives will receive an account statement, on at least a quarterly basis, directly from the broker-dealer, bank or other qualified custodian that holds and maintains the accounts for such Client. Blum Capital urges Managed Account representatives to carefully review such statements and compare the official custodial records to the account statements that we may provide. Blum Capital provided statements may vary from the custodial statements due to differences in accounting procedures, reporting dates, or valuation methodologies of certain securities. The Firm reconciles the cash and security positions and reports any differences to the Client.

To the extent required by the Custody Rule or by agreement, Blum Capital will provide a Managed Account with appropriate notice upon opening a new prime broker account or custodial account or upon any material changes in those account arrangements.

Private Funds and Co-Investment Vehicles

Blum Capital and/or its related entities are deemed to have custody of Client funds and securities in the Blum Private Funds because the Firm or its related entities serves as both adviser and general partner or managing member to such funds, and may directly access the Fund's capital accounts. In all cases, Blum Capital and related entities will comply with the requirements of the Custody Rule.

As required by the Custody Rule, the Firm maintains the cash and securities in the Blum Private Funds with a qualified custodian. The Firm utilizes Goldman Sachs as its prime and clearing broker and qualified custodian for most of the Blum Private Funds. For certain single limited partner Stinson funds, the custodial arrangement has been selected or determined by the limited partner, and in each case, the custodian to each such Stinson fund is a qualified custodian.

With respect to pooled investment vehicles, the Custody Rule requires each Blum Private Fund to be subject to an annual independent audit (compliant with generally accepted accounting principles and performed by a PCAOB certified auditor), the results of which must be distributed to the underlying fund investors within 120 days following the relevant Blum Private Fund's

fiscal year end. In addition, the Firm is contractually required to provide each fund investor with unaudited quarterly reports. Accordingly, under the Custody Rule, Blum Capital is not required to undergo an annual surprise independent verification of the funds and securities contained in the Blum Private Funds it manages.

Item 16 - Investment Discretion

Blum Capital has full discretionary authority to select securities to be bought and sold for all its Clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives or investment guidelines for the particular Blum Private Fund or Managed Account contained in written agreements. Investment guidelines and restrictions for the various Blum Private Funds are contained in the respective fund agreements.

Blum Capital's discretionary authority includes: (i) determining the securities to be purchased and sold for the Client accounts (subject to the investment objectives and/or guidelines discussed above); (ii) the amount of securities to be purchased or sold for a Client account; and (iii) timing and prices that securities are purchased and sold. Prior to placing a trade order, Blum Capital will determine the allocation of securities bought or sold. The Firm considers the following factors, among others, in determining trade allocation among Client accounts: (i) Client investment objectives and guidelines; (ii) cash availability and liquidity and timing of cash flows; (iii) industry, sector and company concentration; (iv) size of available position; and (v) overall portfolio weightings. Please refer to Item 12C for further discussion of trade allocations.

Because of the different investment objectives and guidelines, as well as availability of cash, there may be differences among Clients in their invested positions and securities held. In certain cases, due to investment restrictions and agreements, Blum Capital may have an obligation to first offer an investment to one or more of the Blum Private Funds.

Item 17 - Voting Client Securities

Blum Capital's agreements with the Managed Accounts and Private Funds give it the authority to vote proxies on behalf of the underlying entities. The Firm makes all efforts to ensure that proxies are voted in the best interests of its Clients. Before casting a vote, the Firm considers a number of criteria, including but not limited to the following:

- determining if the proposal will enhance or adversely impact the value of the company's shares;
- determining the effect the proposal will have on management and the board of directors and their abilities to run the company;
- determining the effect the proposal will have on shareholder rights; and
- determining that the vote is consistent with Blum Capital's proxy voting guidelines and with its duties under applicable laws

Where a conflict of interest arises between Blum Capital and a Client, Blum Capital will vote the proxy in accordance with its proxy voting policy. In certain rare circumstances, it may be necessary for Blum Capital to vote the proxies of one Client differently than for another Client (based on number of shares held). In a rare case where a conflict of interest exists and the best interest of the Client dictates a deviation from Blum Capital's proxy voting policy, the Firm will seek written permission from the Client or advice from the applicable Blum Private Fund advisory committee before voting the proxy.

Pursuant to Rule 206(4)-6 under Advisers Act, Blum Capital is required to disclose to its Clients and its investors within its Private Funds how they can obtain information on how the Firm voted its proxies. The Firm provides such summaries to some of its Clients on a quarterly basis (if required by law or agreement).

A Client can obtain a copy of Blum Capital's Proxy Policies and Procedures and summary of voting, upon written request, by contacting Gwen G. Reinke, Esq., Blum Capital Partners, L.P., 909 Montgomery Street, Suite 400, San Francisco, CA 94133.

Item 18 - Financial Information

Registered investment advisers are required in this Item to provide its clients with certain financial information or disclosures about their financial condition. In this regard, Blum Capital is hereby disclosing that it has no financial commitment(s) that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Investment Advisers

This Item is not applicable.