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## **BLACKSTREET CAPITAL ADVISORS, LLC**

### **Form ADV Part 2A**

**May 17, 2012**

This brochure provides information about the qualifications and business practices of Blackstreet Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (240) 223-1330. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Blackstreet Capital Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Blackstreet Capital Advisors, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of any registered investment adviser are intended to provide you with information which you may use in determining whether to hire or retain a registered investment adviser.

**Item 2 – Material Changes**

This brochure amends our prior brochure dated March 30, 2012 to reflect changes in our previously reported amounts of assets under management resulting from the recently completed audits and valuations of our managed funds.

In the future, this Item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure. We will further provide clients 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 us at (240) 223-1330.

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#### **Item 4 – Advisory Business**

Blackstreet Capital Advisors, LLC, referred to herein as BCA, is the general partner of two related private equity funds, Blackstreet Capital Partners (AI), L.P. and Blackstreet Capital Partners (QP), L.P., collectively referred to herein as the Funds. The Funds are managed by Blackstreet Capital Management, LLC, referred to herein as BCM. BCM is an affiliate of BCA and an SEC-registered investment adviser.

BCA was originally formed in 2002 as MMP Capital Advisors, L.P. In 2005, the principals of BCM acquired Milestone's interest in MMP Capital Advisors and formed Milestone Capital Advisors, LLC. On February 27, 2007, the name of the company was changed to Blackstreet Capital Advisors, LLC. Since May 2005, Mr. Murry Neal Gunty has been the manager and principal owner of BCA.

BCA, as the general partner, provides investment advisory services to the Funds, and not to investors in the Funds. No investment advisory relationship exists between BCA and any investors in the Funds. To the extent any investor in the Funds desires any advice regarding its own investment decisions, it should engage its own financial, legal, tax, accounting and other advisors. Each investor and its own advisors are responsible for conducting their own analysis and due diligence to the full extent they deem necessary, and based on such independent analysis, each investor must make its own decisions regarding whether and when to invest in the Funds.

BCA, as the general partner of the Funds, has full authority over the business and affairs of the Funds pursuant to the Funds' limited partnership agreements, as amended and currently in effect. BCA and the Funds have also entered into a management agreement with BCM, pursuant to which BCM provides investment advisory services to the Funds. The Funds' limited partnership agreements provide restrictions on the investments that may be made on behalf of the Funds. Without prior approval of the Limited Partner Advisory Board of the Funds, the Funds may not (a) invest more than 25% of their total commitments in any single portfolio company, (b) invest more than 10% of their total commitments in portfolio companies organized and maintaining their principal place of business and principal operations outside of North America or (c) invest more than 10% of their total commitments directly into mortgages, mortgage backed securities and real estate. Furthermore, no more than 50% of the Funds' aggregate commitments may be invested in any single calendar year.

While BCM serves as the investment manager of the Funds, BCA retains the right to make all decisions, consents and determinations relating to the acquisition and disposition of the Funds' investments, distributions by the Fund of cash and other securities, and amendments to the Funds' limited partnership agreements. BCA does not currently take an active role in the investment management of the Funds. All assets of the Funds are currently managed by BCM on a discretionary basis, subject only to the investment limitations described above or as otherwise set forth in the management agreement and limited partnership agreements. BCA's total assets under management were approximately \$91 million for the fiscal year ending December 31, 2011. Assets under management have been calculated for the Funds by determining the current fair value of the Funds' assets and the contractual amount of any uncalled commitments to the Funds.

#### **Item 5 – Fees and Compensation**

As more specifically set forth in the limited partnership agreements and management agreement, the limited partners of the Funds pay to BCM an annual management fee, payable semi-annually in advance. During the capital commitment period of the Funds, the annual management fee is 2% of the limited partners' aggregate capital commitments. After the expiration of such commitment period, the management fee percentage is reduced by 0.2% each year during the remaining term of the Funds.

Management fees are generally paid to BCM pursuant to capital calls made semi-annually on the limited partners of the Funds. However, if and to the extent the Funds have cash on hand as a result of dividends or interest income received from portfolio investments or proceeds from the disposition of a portfolio investment, BCM and BCA, as the general partner of the Funds, have the discretion to pay management fees to BCM from such cash on hand.

In addition to the management fee described above, BCA is entitled to receive performance fees in the form of a carried interest on the profits of the Funds. See Item 6 below. If BCA is then entitled to carried interest payments, those payments are made from time to time when cash distributions are otherwise made to the partners of the Funds.

The Funds bear all of the organizational and offering expenses (including legal, travel, accounting, filing and other expenses) incurred in connection with the formation of the Funds, BCA and any other necessary related entities, up to a specified maximum amount set forth in the related limited partnership agreements of the Funds. The Funds reimburse BCA for such expenses to the extent that any such expenses are borne by BCA directly on behalf of the Funds.

The Funds are also responsible for all other expenses attributable to their activities, whether incurred directly by the Funds, on their behalf by BCM as their investment manager, or on their behalf by BCA as their general partner, including but not limited to:

- fees and expenses relating to consummated portfolio investments, and/or contemplated but unconsummated investments, and temporary investments, including but not limited to consulting, financing, legal and accounting fees, travel expenses of BCM or BCA in connection with such investments, (which may include the use of private aircraft owned by BCM or an affiliate, in which event the cost of such travel may include amortized portions of the cost of depreciation of such aircraft) to the extent that such fees and expenses are not reimbursed by a portfolio company or other third person;
- premiums for insurance protecting the Funds and any indemnified persons from liabilities to third persons in connection with fund affairs, including, if deemed appropriate, key man life insurance for principals of BCM;
- legal, custodial and accounting expenses, including expenses associated with the preparation of the Funds' financial statements, tax returns and Schedule K-1's and the representation of the Funds or its partners by the tax matters partner;
- auditing, accounting, banking, and consulting expenses;
- appraisal expenses;
- expenses related to organizing vehicles through or in which portfolio investments may be made;
- costs and expenses that are classified as extraordinary expenses under generally accepted accounting principles;
- taxes and other governmental charges, fees and duties payable by the Funds;
- insurance, regulatory, and litigation expenses and damages incurred by the Funds;

- costs of reporting and distributions to the partners and of partner meetings, including but not limited to the annual partners meeting;
- expenses relating to defaults in capital contribution funding obligations;
- expenses incurred in connection with any restructuring of the Funds or amendments to the Funds' limited partnership agreements and other related agreements;
- compensation of members of the Funds' Investment Committee and/or Board of Advisors who are not employees of BCM;
- any expenses reimbursed by the Funds to or compensation paid to any members of the Limited Partner Advisory Board;
- costs of winding up and liquidating the Funds; and
- other fees and expenses to be borne by the Funds under the terms of their limited partnership agreements.

Neither BCA nor any of its personnel receive compensation for the purchase or sale of securities or investment products by the Funds. The Funds generally purchase securities through private placement transactions, without the assistance of a broker or dealer and without the payment of a brokerage commission or other transaction costs. Item 12 contains further information on the factors that are considered in the event that a broker-dealer is used for client transactions.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

BCA, as the general partner of the Funds, is entitled to receive a performance fee in the form of a carried interest equal to 20% of the Funds' profits, subject to satisfaction of an 8% preferred return to the Funds' investors.

#### **Item 7 – Types of Clients**

BCA serves solely as the general partner of the Funds, which are its sole clients. BCA provides no other advisory and management services to any other private fund or client. A minimum capital commitment of \$1,000,000 is generally required of an investor in the Funds, provided that this minimum may be waived by BCA in its discretion.

#### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

The Funds generally invest in leveraged buyouts of lower middle market businesses located primarily in the Eastern United States. Investments are typically in companies with between \$20 million and \$100 million of revenue with total enterprise values of \$5 million to \$30 million on average. The Funds' strategy is to invest in companies that current owners, strategic acquirers, institutional investors and/or the capital markets have orphaned because the companies are (i) non-core divisions of larger, often struggling companies, (ii) over-leveraged and effectively owned by banks and/or creditors or (iii) owned by other entities for whom this is not a core ownership position.

Following each acquisition, BCM, as the investment manager of the Funds, works with new management to fix and re-position the businesses and improve operations and cash flows. BCM then seeks to sell the businesses to either strategic acquirers or other institutional investors at a market or premium multiple when the businesses have improved and/or the industries return to favor. Alternatively, BCM may seek to recapitalize the businesses in order to return capital to investors in the Fund prior to a sale. The Funds focus primarily on industries in which BCM has experience, including niche manufacturing and distribution (consumer and industrial), business services, education, specialty retail and restaurants. In each transaction, existing, new or augmented management are expected to invest a meaningful amount of capital. BCA will not cause the Funds to invest in start-ups or other early stage enterprises and minimizes the exposure of the Funds to technology related investments.

Investing in securities involves risk of loss that clients should be prepared to bear. BCA in no way guarantees performance or results. The return of capital and the realization of gains in the private equity portfolio of the Funds will occur only upon the partial or complete disposition of an investment by the Funds. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after an initial investment has been made. There can be no assurance that there will be a current return on investments made by the Funds. Because the Funds may only make a limited number of investments and since the Funds' investments generally will involve a high degree of risk, poor performance by a few investments could severely affect total returns.

The investment strategy for the Funds involves investing in sectors or businesses that are out of favor due to operating inefficiencies, cyclicity or regulatory constraint, among other things. Acquisitions made using this investment strategy may expose the Funds to risks. No assurance can be given that this investment approach will be successful or that the cause for any business becoming out of favor can be remedied by BCA or BCM or otherwise overcome. Industries that are out-of-favor may not return to favor at all or may require an extended period to return to favor, and changes in operations and management may be unsuccessful, reducing investment returns or extending the period a fund holds an investment.

Risks affecting real estate investments made on behalf of the Funds include general economic conditions, the conditions of financial markets, political events, developments or trends in any particular locality or industry, the availability and pricing of credit and changes in prevailing interest rates. In addition to the risks related to the underlying real estate assets, mortgages and mortgage backed securities are particularly subject to risks related to prevailing prepayment and default rates, which can exhibit particular volatility. The cyclicity and leverage associated with real estate-related instruments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other instruments. Recent challenges to the financial markets and financial institutions and potential changes in government regulation of those markets and instruments could further adversely affect the pricing and liquidity of mortgages, mortgage backed securities and real estate investments.

The activity of identifying, completing and realizing private equity investments is highly competitive and involves a high degree of uncertainty. The Funds compete for investments with other private equity investment vehicles, as well as individuals, financial institutions and other institutional investors. Further, over the past several years, an increasing number of private equity funds have been formed (and many such existing funds have grown in size and have sizable undrawn commitments). Additional funds with similar investment objectives may exist or be formed in the future by other unrelated parties. There can be no assurance that BCM or BCA will be able to identify and complete investments in portfolio companies that satisfy the rate of return objectives of the Funds, or realize the values of such investments, or that either will be able to fully invest its committed capital.

The investment strategy of the Funds involves acquisitions of under-performing companies that may require new management to improve operations. As a result, there can be no assurance that existing management of portfolio companies will be retained following acquisition. Also, there can be no assurance that new management can be successfully located or employed or that new management will be able to operate successfully. Although each investment is monitored, the management of the underlying portfolio company will be relied upon to operate and manage the company's business on a day-to-day basis.

BCA expects to cause the Funds to obtain third-party financing in connection with investments made by the Funds. There can be no assurances that such leverage will be available either in the amount or at the rate required by the Funds to achieve its projected returns. Leveraged buyouts by their nature require companies to undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and increases in expenses and to adverse general economic conditions. Failure by a portfolio company to meet operating projections could trigger defaults on third-party debt and ultimately create liquidity risks and potentially bankruptcy if the liquidity needs are unable to be satisfied. In such situations, the Funds' investments typically will be subordinated to third-party debt and may lose most of their value or be rendered worthless.

#### **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of BCA or the integrity of its management. BCA has no history of any disciplinary action.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

BCA is currently affiliated with two other SEC-registered investment advisers, BCM and Blackstreet Capital Advisors II, LLC. BCM provides advisory and management services to the Fund and to other private equity funds. Blackstreet Capital Advisors II, LLC serves as the general partner of other private equity funds.

#### **Item 11 – Code of Ethics**

BCA has adopted a code of ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The code of ethics is set forth in BCA's Supervisory Procedures and Compliance Manual, and includes provisions relating to registration and licensing requirements, a prohibition on insider trading, disclosure requirements, and personal securities trading procedures, among other things. All supervised persons at BCA must acknowledge the terms of the Code of Ethics annually, or when and as amended. Any client or prospective client, and investors or prospective investors in the Fund, may request a copy of the firm's Code of Ethics by contacting us at (240) 223-1330.

BCA anticipates that, in appropriate circumstances, consistent with the investment objectives of the Fund, it may cause the Funds to purchase or sell securities in which BCA, its affiliates and/or other clients, directly or indirectly, have a position or interest. BCA's employees and other associated persons are required to follow BCA's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of BCA and its affiliates may trade for their own accounts in securities which are



recommended to and/or purchased for the Funds. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of BCA will not interfere with (i) making decisions in the best interest of the Funds and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, all employees of BCA and its affiliates are required to provide a list of all personal/related accounts to the firm, as well as transaction reports and quarterly account statements so that employee trading may be continually monitored in order to prevent conflicts of interest between BCA and the Funds. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as the Funds, there is a possibility that employees might benefit from market activity by the Funds in a security held by an employee.

BCA's general policy requires each employee to place the interests of the Funds above their own. BCA's Code of Ethics contains an Individual Conflict of Interest policy which prohibits employees from purchasing or selling stock for personal accounts immediately before the Funds' planned purchase or sale of which such employee has knowledge.

### **Item 12 – Brokerage Practices**

With respect to the portfolio companies in which the Funds invest, the securities of such portfolio companies are generally purchased through private placement transactions, without the assistance of a broker or dealer and without the payment of a brokerage commission. If a broker or dealer is to be used, BCM, as the investment manager of the Funds, has discretion to determine, without the consent of the Funds or their limited partners, the broker or dealer to be used and the commission rates to be paid. BCM endeavors in good faith to obtain the best execution of brokerage transactions for the Funds and selects brokers and dealers through which to effect transactions on behalf of the Funds on the basis of various factors. Best price, giving effect to commissions and commission equivalents, if any, and other transaction costs will normally be important factors in this decision, but the selection may also take into account the quality of brokerage services, including such factors as execution capability, willingness to commit capital, creditworthiness and financial stability, financial responsibility, responsiveness and clearance and settlement capability. Accordingly, where a broker or dealer is used, transactions will not always be executed at the best available price or commission.

BCM may select a broker or dealer that furnishes BCM or BCA, directly or through correspondent relationships, with research (including third party research) or other services which provide appropriate assistance to BCM and BCA in the investment decision-making process. Such research or other services may include research reports on companies, industries and securities; economic and financial data; economic surveys and analyses; recommendations as to specific investments and securities; financial publications; and other services. In some circumstances, the commissions paid on transactions with a broker or dealer or other firms providing such services may exceed the amount another broker or dealer or service provider would have charged for effecting such transactions. The use of commissions or "soft dollars" to pay for such research or other services, whether provided directly or indirectly, may be utilized (but has not to date), for the benefit of the Funds.

BCA currently expects that any soft dollar arrangements will be within the safe harbor afforded by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

### **Item 13 – Review of Accounts**

BCA, together with BCM, continuously reviews and evaluates the investment plans and strategies of the Funds, and causes the Funds' accounts (and those of its respective investors) to be reconciled every time a capital call or distribution is made by the Funds. Investors in the Funds receive quarterly account statements. The accounts of the Funds are reviewed by BCM's Chief Financial Officer, Human Resources Manager and Chief Compliance Officer. Investors in the Funds receive, in written form, (i) annual financial statements of the Fund within 150 days following the end of each year, (ii) annual reviews providing annual financial information for each of the Fund's portfolio companies within 150 days of the end of each year, (iii) quarterly reports within 45 days of the end of each of the first three quarters of each year providing summary financial and other information on the Funds' activities and (iv) tax information as required for tax filings.

In BCA's sole discretion, the annual financial statements for the Funds are either audited or reviewed by an independent accounting firm which BCA selects and hires.

### **Item 14 – Client Referrals and Other Compensation**

BCA does not receive economic benefits from non-clients for providing investment advice or other advisory services to its clients, the Funds. Neither BCA nor any related person directly or indirectly compensates any person for referrals of clients to BCA, as the only clients of BCA are the Funds. BCA has entered into arrangement with certain firms and individuals (including affiliates of BCA) which provide for the payment of fees based upon the referral of investors who sign binding agreements for the purchase of limited partnership interests in the Funds; however, as described above, investors in the Funds are not advisory clients of BCA.

### **Item 15 – Custody**

BCA maintains custody of the assets of the Funds through the use of qualified custodians that are not related to BCA. The Funds, which constitute BCA's clients, receive account statements directly from the qualified custodians. BCM then provides written reports to the investors in the Funds on a periodic basis. See Item 13 above.

### **Item 16 – Investment Discretion**

All assets of the Funds are managed on a discretionary basis, subject only to the investment limitations described above or as otherwise set forth in the related management agreement and/or limited partnership agreements. See Item 1 above.

### **Item 17 – Voting Client Securities**

BCA votes the securities held by the Funds, as the general partner of the Funds. BCA has full discretionary authority to vote any such securities in such manner as it may determine to be in the best interest of the Funds.

**Item 18 – Financial Information**

BCA is not aware of any financial condition that is reasonably likely to impact its ability to meet its commitment to the Funds as its general partner, and has not been the subject of a bankruptcy proceeding. A balance sheet containing financial information for the most recent fiscal year is attached to this brochure.