

**INVESTMENT ADVISER BROCHURE  
PART 2A OF FORM ADV**

**BEECKEN PETTY O'KEEFE & COMPANY, LLC**

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**September 28, 2012**

**This Investment Adviser Brochure ("Brochure") provides information about the qualifications and business practices of Beecken Petty O'Keefe & Company, LLC (the "Management Company"). If you have any questions about the contents of this Brochure, please contact us at (312) 435-0300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state authority.**

The Management Company is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"). However, such registration does not imply a certain level of skill or training.

Additional information regarding the Management Company is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

Beecken Petty O’Keefe & Company, LLC (the “**Management Company**”) became a registered investment adviser, effective on March 28, 2012. This Brochure amends the initial Brochure by including information relating to the Management Company’s recently formed funds, Beecken Petty O’Keefe Fund IV, L.P. and Beecken Petty O’Keefe Fund IV-A, L.P.

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## ADVISORY BUSINESS

Beecken Petty O’Keefe & Company, LLC (the “**Management Company**”), the registered investment adviser, is a Delaware limited liability company. The Management Company and its affiliated investment advisers provide discretionary investment advisory services to their clients, which consist of private investment-related funds. The Management Company commenced operations on December 1, 2003.

The Management Company’s clients include the following (each, a “**Fund**,” and together with any future private investment fund to which the Management Company or its affiliates provide investment advisory services, “**Funds**”):

<ul style="list-style-type: none"><li>• Healthcare Equity Partners, L.P.</li><li>• Healthcare Equity QP Partners, L.P.</li></ul>	<b>“Fund I”</b>
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<ul style="list-style-type: none"><li>• Beecken Petty O’Keefe Fund II, L.P.</li><li>• Beecken Petty O’Keefe QP Fund II, L.P.</li><li>• Beecken Petty O’Keefe Executive Fund II, L.P.</li></ul>	<b>“Fund II”</b>
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<ul style="list-style-type: none"><li>• Beecken Petty O’Keefe Fund III, L.P.</li><li>• Beecken Petty O’Keefe Fund III-A, L.P.</li></ul>	<b>“Fund III”</b>
<hr/>	
<ul style="list-style-type: none"><li>• Beecken Petty O’Keefe Fund IV, L.P.</li><li>• Beecken Petty O’Keefe Fund IV-A, L.P.</li></ul>	<b>“Fund IV”</b>

The following are the registered investment advisers affiliated with the Management Company:

- Beecken Petty & Company L.L.C. (general partner of Fund I)
- Beecken Petty O’Keefe & Company II, L.P. (general partner of Fund II)
- Beecken Petty O’Keefe & Company III, L.P. (general partner of Fund III)

- Beecken Petty O’Keefe & Company IV, L.P. (general partner of Fund IV)

(each, a “**General Partner**” and together with the Management Company and their affiliated entities “**BPOC**”)

The General Partners listed above each serve as general partner to one or more of the Funds and have the authority to make investment decisions on behalf of such Funds. Each General Partner is registered under the Adviser Act pursuant to the Management Company’s registration in accordance with SEC guidance. The Management Company and the General Partners operate as a single investment advisory firm and are all under common control.

Interests in the Funds generally are privately offered to qualified investors in the United States and elsewhere. The Funds are expected to invest through privately negotiated transactions in operating companies. BPOC’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted in certain instances. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of BPOC may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds.

BPOC’s advisory services for the Funds are detailed in the applicable private placement memoranda (each, a “**PPM**”) and limited partnership agreements (each, a “**Limited Partnership Agreement**” and together with the PPM, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. The Funds or BPOC may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund’s Limited Partnership Agreement.

As of December 31, 2011, BPOC managed \$751.5 million in client assets on a discretionary basis. The Management Company is principally owned by David K. Beecken, Kenneth W. O’Keefe and William G. Petty, Jr.

## **FEES AND COMPENSATION**

The following is a general description of fees, compensation, and expenses of the Funds. Differences exist from Fund to Fund, and certain Funds may not charge certain fees, compensation, or expenses that other Funds charge. The Limited Partnership Agreements of the Funds describe fees, compensation and expenses in greater detail.

In general, BPOC receives a management fee (the “**Management Fee**”) and a carried interest in connection with advisory services. The General Partners or other BPOC entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies of the Funds (*e.g.*, monitoring and other fees) and such additional compensation generally will offset in whole or in part the management fees

otherwise payable to BPOC. Investors in the Funds also bear certain fund expenses, as described below.

## **Management Fees**

### *Fund IV*

Beginning the date designated by the General Partner, which may be no earlier than January 1, 2013 (the “**Effective Date**”) and during the commitment period, the Fund will pay the General Partner an annual Management Fee, payable semi-annually, partially in advance and partially in arrears, equal to 2% of aggregate commitments. Commencing with the first Management Fee due date after the expiration of the commitment period or earlier upon the occurrence of certain events as set forth in the Limited Partnership Agreement, the Management Fee will equal 2% of (i) the aggregate investment contributions, less (ii) the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or permanently written-down; provided that investments in a portfolio company shall be treated as having been disposed of or permanently written down only to the extent that, as of the date of any such disposition or write down, the aggregate fair market value of all remaining Fund investments in such portfolio company is less than the Fund’s aggregate investment contributions made with respect to such portfolio company. Any Management Fee payable on or after the semi-annual period following the thirteenth anniversary of the Effective Date shall be subject to the approval of the advisory board.

In addition, the Management Fee will be reduced by: (i) 100% of any directors’ fees earned by the General Partner from portfolio companies; (ii) 80% of any transaction fees, financial consulting fees or advisory fees paid by portfolio companies to the General Partner; and (iii) after reimbursement of the Fund for broken deal expenses, 80% of any break-up fees from Fund transactions not completed that are paid to the General Partner; but not including, in any event, any amount received by the General Partner or other person from a portfolio company as reimbursement for expenses directly related to such portfolio company, as payment for services provided to any portfolio company in the ordinary course of such portfolio company’s business or as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such portfolio company. The General Partner reserves the right to waive all or a portion of any future installment of the Management Fee. Any waived portion of a Management Fee installment may be treated as a deemed capital contribution by the General Partner in respect of the General Partner’s commitment.

The Management Fee will commence as of the Effective Date based on aggregate commitments, regardless of when a Limited Partner is actually admitted. The Management Fee will be paid out of current income and disposition proceeds of the Fund and, in the General Partner’s discretion, from drawdowns that will reduce unfunded commitments.

### *Fund III*

During the commitment period of a Fund, such Fund generally pays the General Partner an annual Management Fee, payable semi-annually, partially in advance and partially in arrears, equal to 2% of non-affiliated partners’ aggregate commitments. Commencing with the first Management Fee due date after the expiration of the commitment period or earlier upon the

occurrence of certain events as set forth in the Limited Partnership Agreement, the Management Fee will be reduced to equal 2% of (i) the aggregate investment contributions, less (ii) the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or permanently written-down; provided that investments in a portfolio company shall be treated as having been disposed of or written down only to the extent the fair market value of the Fund's interest in such portfolio company subsequent to the time of such distribution is less than the Fund's aggregate investment contributions made with respect to all investments in such portfolio company.

In addition, the Management Fee will be reduced by: (i) 100% of any directors' fees earned by the General Partner from portfolio companies; (ii) 75% of any transaction fees, financial consulting fees or advisory fees paid by portfolio companies to the General Partner; and (iii) after reimbursement of the Fund for broken deal expenses, 75% of any breakup fees from transactions not completed that are paid to the General Partner. The General Partner reserves the right to waive all or a portion of any future installment of the Management Fee. Any waived portion of a Management Fee installment may be treated as a deemed capital contribution by the General Partner in respect of the General Partner's commitment.

The Management Fee commenced as of November 30, 2007 based on aggregate commitments, regardless of when a limited partner is actually admitted. The Management Fee will be paid out of current income and disposition proceeds of the Fund and, in the General Partner's discretion, from drawdowns that will reduce unfunded commitments.

## *Fund II*

During the commitment period, the Fund will pay the General Partner an annual Management Fee, payable semi-annually, partially in advance and partially in arrears, equal to 2% of aggregate commitments. Commencing with the first Management Fee due date after the expiration of the commitment period, the Management Fee will equal 2% of (i) the aggregate amount of investment contributions, less (ii) the aggregate amount of investment contributions made with respect to investments that have been disposed of or permanently written down.

In addition, the Management Fee will be reduced by: (i) 100% of any directors' fees earned by the General Partners from portfolio companies, (ii) 75% of any financial consulting fees or advisory fees earned by the General Partner from portfolio companies; (iii) 75% of any transaction fees paid by portfolio companies to the General Partner; and (iv) after reimbursement of the Fund for broken deal expenses, 75% of any break-up fees from transactions not completed that are paid to the General Partner. The General Partner reserves the right to waive all or a portion of any future installment of the Management Fee. Any waived portion of a Management Fee installment may be treated as a deemed capital contribution by the General Partner in respect of the General Partner's commitment.

The Management Fee commenced as of January 1, 2004, based on aggregate commitments, regardless of when a Limited Partner was actually admitted. The Management Fee will be paid out of current income and disposition proceeds of the Fund and, in the General Partner's discretion, from drawdowns that will reduce unfunded commitments.

### *Fund I*

Since January 2009, the General Partner has chosen to no longer charge a Management Fee as Fund I is winding down its operations. Fund I historically paid the General Partner an annual Management Fee, payable semi-annually in advance equal to 2% of aggregate commitments (that was reduced after the commitment period and subject to certain offsets).

### **Carried Interest**

Each General Partner generally is entitled to receive a carried interest with respect to the Funds equal to 20% of all realized profits subject to an 8% annually compounded preferred return and a related General Partner catch-up provision, as more fully described in the Governing Documents. The carried interest distributed to a General Partner is subject to a potential giveback at the end of life of a Fund if the respective General Partner has received excess cumulative distributions.

### **Other Information**

BPOC may exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, but has not done so in the past except with respect to Beecken Petty O’Keefe Executive Fund II, L.P. Any such exemption from fees and/or carried interest may be made by a direct exemption. The Funds generally invest on a long-term basis. Accordingly, Management Fees are expected to be paid, except as otherwise described in the Limited Partnership Agreements, over the term of the Funds and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other employees of BPOC may receive a portion of the Management Fee, carried interest or other compensation received by the General Partner.

In addition to the Management Fee and carried interest payable to the General Partner, each Fund bears certain expenses. As set forth in the Limited Partnership Agreements, to the extent not paid by portfolio companies, each Fund bears all costs, expenses, liabilities and obligations relating to the Fund’s activities, including, without limitation, (i) all costs, expenses, liabilities and obligations attributable to acquiring, holding, managing and disposing of a Fund’s investments, including follow-on investments and refinancings (including, without limitation, interest on money borrowed by the Fund or the Management Company, the General Partner or any affiliated partner on behalf of the Fund, registration expenses and brokerage, finders’, custodial and other fees, travel, insurance, litigation and indemnification costs and expenses, judgments and settlements), (ii) legal, accounting, auditing, consulting, insurance, financing, appraisal, filing and other fees and expenses (including, without limitation, expenses associated with the preparation and distribution of the Fund’s financial statements, tax returns and Schedule K-1s or any other reporting to the limited partners), (iii) certain expenses of the advisory board, (iv) “broken deal expenses,” (v) all out-of-pocket fees and expenses incurred by the Fund or BPOC in connection with any conference or meeting of the limited partners, (vi) any taxes, fees and other governmental charges levied against the Fund, (vii) any placement fees in lieu of Management Fees, (viii) costs and expenses that are classified as extraordinary under GAAP and (ix) organizational expenses, but not including (A) excess organizational expenses, and



(B) ordinary overhead and administrative expenses which are payable by BPOC. Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.”

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under “Fees and Compensation,” each General Partner receives a carried interest allocation on certain realized profits in the Funds. A carried interest allocation represents an investment adviser’s compensation based on a percentage of net profits of the funds it manages. BPOC also manages one Fund that is not charged a performance-based fee. However, such Fund co-invests on a *pro rata* basis with Funds that do pay a performance-based fee, so there is no incentive to favor Funds that pay a performance-based fee over those that do not.

### **TYPES OF CLIENTS**

BPOC provides investment advice to the Funds. Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of BPOC and its affiliates.

The Funds generally have minimum investment amounts varying from \$1.0 million to \$5.0 million for third-party investors. Investors in the Funds must meet certain suitability and net worth qualifications prior to making an investment in the Funds. Investors must be (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended, and (ii) either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act of 1940, as amended. BPOC may waive the minimum investment amounts.

The Management Company also serves as investment manager to various co-investors who may invest alongside the Funds in certain portfolio companies. Certain limited partners of the Funds may be permitted to co-invest directly in a particular portfolio company. Such investors do not pay a management fee or carried interest with respect to the co-investments, but may bear certain expenses (e.g., legal and other expenses associated with a portfolio company investment). BPOC will select which investors are permitted to co-invest in a particular portfolio company based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons as more fully described in the applicable Fund’s Limited Partnership Agreement. BPOC is not obligated to make co-investment opportunities available to any particular investors or limited partners.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### General

Each Fund's objective is to produce attractive risk-adjusted returns by investing exclusively in companies operating in the healthcare industry.

The following is a summary of the investment strategies and methods of analysis that BPOC generally employs on behalf of the Funds. The applicable Governing Documents of each Fund set forth more detailed descriptions of such Fund's investment strategies and methods of analysis. There can be no assurance that BPOC will achieve the investment objectives of the Funds and a loss of investment may be possible.

### Investment and Operating Strategy

The Funds focus on achieving attractive risk-adjusted returns primarily by making privately negotiated equity and equity-related investments exclusively in companies operating in the healthcare industry, primarily within the following sectors: clinical outsourcing and staffing, specialty distribution, medical and dental products, managed care, business outsourcing and information technology, pharma products and services, and providers of healthcare services, primarily alternate site (non-hospital) outpatient providers. The Funds' capital commitments are targeted primarily towards buyout and recapitalization transactions in middle-market healthcare companies.

*Focus on Healthcare.* BPOC believes that the healthcare industry provides an attractive combination of characteristics for private equity investing. BPOC believes that the healthcare industry: (i) is one of the largest, fastest growing, and least cyclical sectors of the economy; (ii) is highly fragmented and is comprised primarily of small to medium-sized companies; (iii) is experiencing a high level of consolidation; (iv) is comprised of companies that may benefit from powerful demographic changes, a rise in consumerism and advances in medical and information technology; and (v) is experiencing increased government funding in connection with healthcare reform that will increase the number of insured individuals and encourage growth in utilization. The combination of these characteristics results in a large population of attractive target candidates for private equity investment, substantial growth opportunities for companies operating in the industry, and improved consolidation, acquisition and realization options for companies that operate in the healthcare industry.

*Diversification by Sector.* BPOC attempts to diversify its investment approach by investing across select sectors within the healthcare industry. These sectors include, but are not limited to, companies primarily operating in the provider, specialty distribution, medical products, managed care, outsourced business services and clinical services sectors.

*Ability to Source Attractive Investment Opportunities.* BPOC is highly proactive in its approach to transaction sourcing as demonstrated by its ability to generate attractive investment opportunities on a proprietary basis. BPOC maintains and continuously develops an extensive network of key relationships that yields knowledge of healthcare industry trends and generates proprietary deal flow beyond the typical intermediary channels.

BPOC also maintains an Executive Advisory Board comprised of seasoned healthcare professionals who make a long term commitment to BPOC and invest in the Funds. The members help pro-actively source potential investment opportunities in targeted segments of the healthcare industry. These executives also serve as a resource to management and are able to add significant value to the BPOC portfolio companies through their extensive experience in the healthcare industry.

*Favorable Transaction Structuring.* BPOC employs creative investment structuring techniques in order to optimize the risk-reward profile of the Funds' investments and to maximize equity returns for the Funds' investors. Structuring techniques are expected to include the use of appropriate amounts of leverage, structuring preferred securities with dividends and liquidation preferences, establishing favorable corporate governance and shareholder rights, and implementing incentive programs to align the interests of management with the investors.

*Post-Investment Value Creation.* BPOC commits significant resources to assist Fund portfolio companies in achieving financial and operational objectives and generally holds board seats in each of the Fund portfolio companies. BPOC, through board participation and as a resource to portfolio company management teams, seeks to increase equity value by influencing and directing the strategic, operational and financial activities of portfolio companies.

*Valuation and Exit Opportunities.* BPOC believes it employs conservative valuation methodologies in analyzing potential investments. BPOC seeks to invest in healthcare companies at valuations generally below ten times trailing EBITDA. In advance of exiting an investment, BPOC evaluates possible realization alternatives, including sales to strategic and financial acquirers, public offerings and recapitalizations. BPOC will generally not rely on a single buyer or event to generate an exit opportunity.

## **Risks of Investment**

The Funds and their investors bear the risk of loss that BPOC's investment strategy entails. Although the following risk factors generally apply to all BPOC Funds, investors should also refer to a Fund's PPM for a description of the risk factors specific to their Fund. The risks involved with BPOC's investment strategy and an investment in the Funds include, but are not limited to:

*Business Risks.* A Fund's investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance.* The performance of BPOC's prior investments is not necessarily indicative of a Fund's future results. While BPOC intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that positive returns will be achieved. On any given investment, loss of principal capital is possible.

*Investment in Junior Securities.* The securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

*Concentration of Investments.* The Funds will participate in a limited number of investments and may seek to make most of its investments in one industry or one industry segment. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.

*Healthcare Regulation, Reimbursement and Reform.* Various segments of the healthcare industry are (or may become) (i) highly regulated at both the state and federal levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. While the Funds intend to make investments in companies that comply with relevant laws and regulations, certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of the companies in which a Fund invests. Recent legislative changes have had, and will likely continue to have, a significant impact on the healthcare industry. In addition, various legislative proposals related to the healthcare industry are introduced from time to time at the federal and state level, and any such proposals, if adopted, could have a significant impact on the healthcare industry.

*Lack of Sufficient Investment Opportunities.* It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, limited partners will be required to pay annual management fees during the commitment period based on the entire amount of their commitments.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the annual management fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded commitments.

*Leveraged Investments.* A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are tight, it may be

difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to a Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be tight at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Funds will invest generally will not be rated by a credit rating agency.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of a Fund's investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners.

*Reliance on the General Partners and Portfolio Company Management.* Control over the operation of the Funds will be vested entirely with BPOC, and the Funds' future profitability will depend largely upon the business and investment acumen of the BPOC principals. The loss of service of one or more of such principals could have an adverse effect on a Fund's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of the Funds will depend entirely on the actions of BPOC. Although BPOC will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with a Fund's objectives.

*Projections.* Projected operating results of a company in which the Funds invest normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund's activities, including the ability of a Fund to implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of recent scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent a Fund's efforts to consummate investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing investments than it otherwise would have.

Additionally, Congress has recently considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the Principals, employees or other individuals associated with a Fund, the Management Company or the General Partner who were or may in the future be granted direct or indirect interests in the General Partner entitling such persons to benefit from carried interest. This may reduce such persons' after-tax returns from a Fund and a General Partner, which could make it more difficult for a General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund.

*Alternative Investment Fund Managers Directive.* In November 2010, the European Union (the "EU") passed new legislation, the Alternative Investment Fund Managers Directive ("AIFMD"), that will regulate the activities of private fund managers undertaking fund management activities or marketing fund interests to investors within the EU. It is currently anticipated that the AIFMD will be implemented in stages between 2013 and 2018. From 2013, the AIFMD will impose restrictions on the management and/or marketing within the EU of funds established outside the EU, such as the Funds, which may restrict the ability of investors to realize their investments in the Funds by way of secondary sale.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, the Funds may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of a Fund's ownership in a portfolio company if a third party invests in such portfolio company.

*Non-U.S. Investments.* The Funds may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on a Fund and/or the partners with

respect to such Fund's income, and possible foreign tax return filing requirements for the Fund and/or the partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Dilution.* Limited partners admitted to a Fund at subsequent closings will participate in then-existing investments of the Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of a Fund's existing investments at the time of such contributions.

*Public Company Holdings.* A Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the principals of BPOC, and increased costs associated with each of the aforementioned risks.

*Non-controlling Investments.* The Funds may hold meaningful minority stakes in privately held companies. In addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

*Uncertain Economic and Political Environment.* The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, continues to be restricted. This may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Furthermore, such uncertainty may have an adverse effect upon portfolio companies in which a Fund makes investments.

*Market Conditions.* Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund's performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

*Director Liability.* The Funds will often obtain the right to appoint a representative to the board of directors of the companies in which they invest. Serving on the board of directors of a portfolio company exposes a Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

## **Conflicts of Interest**

During the commitment period of the Funds, all appropriate investment opportunities will be pursued by BPOC principals through such Funds, subject to certain limited exceptions. BPOC's principals and investment staff will continue to manage and monitor such investments until their realization. Following the commitment period of a Fund, BPOC principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

Although it is unlikely to occur, BPOC could be presented with investment opportunities that would be suitable for more than one Fund. In determining which Fund should participate in such investment opportunities, BPOC and its affiliates could be subject to conflicts of interest among the investors in such Funds. To the extent such a conflict arose, BPOC would attempt to resolve the conflict of interest in light of its obligations to investors in its Funds, and attempt to allocate investment opportunities among Funds in a fair and equitable manner. Where necessary, BPOC consults and receives consent to conflicts from an advisory committee consisting of limited partners of the Funds.

Because each General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for the BPOC to cause a Fund to make riskier or more speculative investments than would otherwise be the case.

## **DISCIPLINARY INFORMATION**

BPOC and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.



## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As described under “Advisory Business” above, the Management Company is affiliated with the following General Partners registered as investment advisers under the Advisers Act in accordance with SEC guidance:

- Beecken Petty & Company LLC (general partner of Fund I)
- Beecken Petty O’Keefe & Company II, L.P. (general partner of Fund II)
- Beecken Petty O’Keefe & Company III, L.P. (general partner of Fund III)
- Beecken Petty O’Keefe & Company IV, L.P. (general partner of Fund IV)

These affiliated investment advisers serve as general partners of the Funds and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

BPOC has adopted the BPOC Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of BPOC principals and employees and addresses conflicts that arise from personal trading. The Code requires BPOC personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of any initial public offering or limited offering; and
- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any investor or prospective investor upon request to John Kneen, the Chief Compliance Officer, at (312) 435-0300. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

BPOC and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, BPOC and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of BPOC.

Accordingly, should BPOC or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, BPOC would be prohibited from communicating such information to clients, and BPOC will have no

responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of BPOC personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of BPOC and its affiliates may directly or indirectly own an interest in the Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds.

The Funds may invest together with other private investment funds advised by an affiliated adviser of BPOC in the manner set forth in the Limited Partnership Agreements. BPOC will allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with its fiduciary obligations and the underlying documents for the relevant Fund. Accordingly, all transactions are allocated proportionately to each limited partner capital commitment unless “opt-out” provisions apply. Such “opt-out” provisions are directed by the applicable limited partner in Fund side-letters.

The principals and employees of BPOC may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar.

### **BROKERAGE PRACTICES**

BPOC focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, BPOC may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although BPOC does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If BPOC sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by BPOC. In such event, BPOC will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, BPOC may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) gross compensation paid to the broker.

BPOC has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although BPOC generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with BPOC seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although BPOC generally does not make use of such services at the current time and has not made use of such services since its inception. As a general matter, research provided by these brokers would be used to service all of BPOC's Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by BPOC, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund.

To the extent that BPOC allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Funds' interest in receiving most favorable execution.

BPOC does not anticipate engaging in significant public securities transactions; however, to the extent that BPOC engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for any Funds are completed independently, BPOC may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, BPOC may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of BPOC is favored over any other Fund.

When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Fund. Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to the Funds over time.

## **REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, BPOC closely monitors companies in which the Funds invest, and the Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

BPOC generally will provide to its limited partners (i) audited financial statements annually commencing with the first year in which it either is in operation for at least six months or makes an investment, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns,

(iv) descriptive investment information for each portfolio company semi-annually and (v) reports summarizing material affiliated transactions semi-annually.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

As described in the Governing Documents, BPOC or certain of its affiliates may have the right to receive certain non-investment advisory fees in connection with the Funds' investments and portfolio companies. For example, BPOC may be entitled to receive (i) certain professional services or related fees from a portfolio company in connection with certain transactions ("Professional Service Fees"), (ii) certain monitoring or consulting fees from a portfolio company for services provided to the portfolio company and (iii) fees for serving on the board of directors of a portfolio company. Generally, 75% of such Professional Service Fees and monitoring and consulting fees and 100% of director fees are offset against the Management Fee.

From time to time, BPOC may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees and expenses payable to any such placement agents will be borne by BPOC indirectly through an offset against the Management Fee.

#### **CUSTODY**

BPOC maintains custody of the Funds' assets held in each Fund's name with JP Morgan Chase.

#### **INVESTMENT DISCRETION**

BPOC has discretionary authority to manage investments on behalf of the Funds. As a general policy, BPOC does not allow clients to place limitations on this authority. Pursuant to the terms of the Limited Partnership Agreements, however, BPOC may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. BPOC assumes this discretionary authority pursuant to the terms of the Governing Documents and powers of attorney executed by the limited partners of the Funds.

#### **VOTING CLIENT SECURITIES**

BPOC has adopted the Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for a Fund's portfolio investments. The Proxy Policy seeks to ensure that BPOC votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. BPOC generally believes its interests are aligned with those of a Fund's investors through the principals' beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that BPOC may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board may approve BPOC's vote in a particular solicitation.

BPOC does not consider service on portfolio company boards by BPOC personnel or BPOC's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by BPOC when voting proxies on behalf of a Fund. If you would like a copy of BPOC's complete Proxy Policy or information regarding how BPOC voted proxies for particular portfolio companies, please contact John Kneen, the Chief Compliance Officer, at (312) 435-0300, and it will be provided to you at no charge.

#### **FINANCIAL INFORMATION**

BPOC does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.