

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

**BLUE POINT CAPITAL PARTNERS, LLC**

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**March 30, 2015**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Blue Point Capital Partners, LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (216) 535-4700. 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**

This Brochure updates the most recent Form ADV Part 2A of Blue Point Capital Partners, LLC (the “Management Company”) filed on March 28, 2014. During 2014, Blue Point Capital Partners III, L.P., Blue Point Capital Partners III (A), L.P., Blue Point Capital Partners III (B), L.P., and Blue Point Capital Partners III Executive Fund, L.P. commenced investment operations. All other changes are either clarifying changes or updates of previously disclosed information.

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## ADVISORY BUSINESS

Blue Point is a private investment management firm, including several registered investment advisory entities and other organizations affiliated with the Management Company (collectively, “**Blue Point**”).

The Management Company, a Delaware limited liability company and a registered investment adviser, provides investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Management Company commenced operations in January 2001.

The following registered investment advisers are affiliates of the Management Company (collectively with the Management Company, the “**Advisers**”):

- BPCP Management, L.P. (“**GP I**”);
- BPCP Management II, L.P. (“**GP II**”);
- BPCP Management III, L.P. (“**GP III**,” and together with GP I and GP II, the “**General Partners**”).

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

- Blue Point Capital Partners, L.P. (“**Fund I Main**”);
- Blue Point Capital Partners (B), L.P. (“**Fund I(B)**,” and together with Fund I Main, “**Fund I**”);
- Blue Point Capital Partners II, L.P. (“**Fund II Main**”);
- Blue Point Capital Partners II (B), L.P. (“**Fund II(B)**,” and together with Fund II Main, “**Fund II**”);
- Blue Point Capital Partners II Executive Fund, L.P. (“**Executive Fund II**”);
- Blue Point Capital Partners III, L.P. (“**Fund III Main**”);
- Blue Point Capital Partners III (A), L.P. (“**Fund III(A)**”);
- Blue Point Capital Partners III (B), L.P. (“**Fund III(B)**,” and together with Fund III Main and Fund III(A), “**Fund III**,” and together with Fund I(B) and Fund II(B), the “**State Plan Funds**”); and
- Blue Point Capital Partners III Executive Fund, L.P. (“**Executive Fund III**,” and together with Executive Fund II, the “**Executive Funds**”).

The General Partners each serve as general partner to one or more Funds and have the authority to make the investment decisions for the Funds to which they provide advisory services. The Management Company provides the day to day advisory services for the Funds. Each General Partner is deemed registered under the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance and is under common control with the Management Company. This Brochure describes the business practices of the Advisers which operate as a single advisory business. References contained in this Brochure to the strategy and operations of a General Partner should be read to include the activities of the Management Company and other Blue Point affiliates that collectively engage in the investment process and ongoing management of the Funds' portfolio companies.

The Funds are expected to invest through negotiated transactions in operating entities, generally referred to herein as "portfolio companies." The Advisers' investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, certain investments in public companies are permitted. From time to time, the senior principals or other personnel of the Advisers or their affiliates may serve on a portfolio company's board of directors or otherwise act to influence control or management of portfolio companies in which the Funds have invested.

The Advisers' advisory services for the Funds are further described in the applicable private placement memoranda or other offering documents (each, a "**Memorandum**") and limited partnership or other operating agreements (each, a "**Partnership Agreement**"), as well as below under "Methods of Analysis, Investment Strategies and Risk of Loss" and "Investment Discretion." 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 agreed-upon circumstances pursuant to the applicable Partnership Agreement. The Funds or the Advisers may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing the terms of such Fund's Partnership Agreement.

As of December 31, 2014, the Management Company managed approximately \$869 million in client assets on a discretionary basis. The Management Company is principally owned and controlled by Charles M. Chaikin, David P. Given, John F. Kirby, John A. LeMay, and Sean P. Ward.

## **FEES AND COMPENSATION**

In general, the General Partners receive a Management Fee (as defined below) and a carried interest in connection with advisory services. The General Partners or other Blue Point entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies (e.g., monitoring and other fees) of Funds and a portion of such additional compensation will offset in part the management fees otherwise payable to the applicable General Partner. Investors in the Funds also bear certain fund expenses.

## Management Fee

Each Fund pays the applicable General Partner a management fee (the “**Management Fee**”) equal to 2% (1.75% for Fund I(B), Fund II(B) and Fund III(B)) on an annual basis of aggregate Fund investor capital commitments (“**Commitments**”). Payment of the Management Fee is made quarterly in advance. Most of the Management Fees are ultimately received by the Management Company. Investors participating in a closing after the initial closing of a Fund bear the Management Fee from the date of the initial closing of such Fund plus interest. The Management Fee will be reduced upon the expiration of the investment period or where a particular subsequent Fund is formed or upon the occurrence of certain other events as described in the applicable Partnership Agreement. The Management Fee will be payable until all portfolio investments are distributed or until such General Partner’s relationship with the applicable Fund is terminated for other reasons (as described in the Fund’s Partnership Agreement). Installments of the Management Fee payable for any period other than a full three-month period are generally adjusted on *pro rata* basis according to the actual number of days in such period.

The Management Fee is reduced by a portion of any directors’ fees, professional services fees, and any breakup fees and certain other fees paid by portfolio companies to a General Partner, the Management Company or their affiliates, partners, members, officers or employees (such fees, “**Supplemental Fees**”). The Management Fee will also be reduced by all placement fees and any organizational expenses paid by a Fund in excess of the expense cap specified in the Partnership Agreement. To the extent that such an offset credit would reduce the Management Fee for a given three-month period below zero, the credit will be carried forward for future application against payable Management Fees. To the extent any such excess remains unapplied upon dissolution of a Fund, each partner of such Fund will receive its share of such unapplied excess, unless such partner elects not to receive its share. Portfolio company-related fees may also include amounts prepaid in anticipation of future services or otherwise accelerated, which will be offset against the applicable Management Fee to the extent set forth in the relevant Partnership Agreement. Although such prepaid or accelerated fees generally will be based on the anticipated level and duration of services that the Adviser believes at the time of such prepayment or acceleration are likely to be provided to the portfolio company over time, they may be greater or less than the amount that ultimately would have been incurred with respect to services ultimately provided to such portfolio company.

To the extent that any other Fund co-invests alongside the Fund in any portfolio company investment, any Management Fee reduction associated with Supplemental Fees from the portfolio company generally will be allocated *pro rata* among the Fund and the co-investors in proportion to the cost of the investment in the portfolio company borne by each.

Additionally, as further described below and in the applicable Memorandum and/or Partnership Agreement of each Fund, it is the Advisers’ practice to retain certain operating partners, who are not employees of the Adviser, to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Such operating partners receive compensation, including, but not limited to consulting fees and other compensation detailed herein, and such compensation will not result in additional offsets to the Management Fee.

As permitted under the Partnership Agreement for each Fund, the General Partner may waive or agree to reduce the Management Fee. Certain waived or reduced portions of the Management Fee are treated by the Partnership Agreements as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operates to reduce the amount of capital the General Partner would otherwise be required to contribute to the Fund. The limited partners of the Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waiver of Management Fees may cause offset credits to be carried forward for future application against payable Management Fees.

### **Carried Interest**

The General Partner of each Fund will receive a carried interest with respect to such Fund (with the exception of the Executive Funds) equal to 20% of all profits after payment of an 8% annually compounded preferred return, subject to a General Partner catch-up provision, as more fully described in the Partnership Agreement of the applicable Fund. The carried interest distributed to the General Partner is subject to a potential giveback at the end of the life of the Fund (and earlier as set forth in certain Partnership Agreements) if the General Partner has received excess cumulative distributions. The Executive Funds are not subject to a carried interest.

### **Other Information**

The Advisers may exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including Blue Point affiliates and professionals and any other person designated by the Advisers. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by the Advisers and/or its affiliates, or through other Funds which co-invest with a Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, certain Advisers may have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the applicable Fund, and investors generally are not permitted to withdraw or redeem interests in the Fund.

Principals or other current or former employees of Blue Point may receive a portion of the Management Fee, carried interest or other compensation received by the General Partners or their affiliates.

In addition to the Management Fee and carried interest payable to the General Partner, each Fund bears certain expenses. As set forth more fully in the Memorandum and/or Partnership Agreement for the applicable Fund, the Fund bears all Fund expenses relating to the

Fund's activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce transaction fees, including organizational expenses up to the expense cap specified in the Partnership Agreement, costs and expenses attributable to structuring, organizing, acquiring, managing, operating, holding, valuing, winding up, liquidating, dissolving and disposing of the such Fund's investments, legal, filing, auditing, consulting, financing, accounting, real estate title, appraisal, printing, reporting and custodian fees and expenses; expenses associated with the Fund's financial statements, tax returns and Schedule K-1s; out of pocket expenses incurred in connection with transactions not consummated; expenses of any advisory board of limited partners; expenses of the annual meetings of the Fund's limited partners; insurance; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Fund, but not ordinary administrative and overhead expenses of the General Partner incurred in connection with managing, originating and monitoring investments, including employees' salaries, rent, utilities and other similar expenses specified in the Partnership Agreement. The Advisers may allocate to the Funds expenses relating to licensing and implementing Fund-related software packages, such as those that facilitate recordkeeping and the production of limited partner and general partner reports. To the extent that such software is implemented, expenses incurred by the Advisers in connection with the software may be allocated to the Funds that utilize such software on a pro rata basis at the discretion of the Advisers. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

In certain circumstances, one Fund may pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. An Adviser may also advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

An Adviser may permit certain investors to co-invest in portfolio companies alongside one or more Funds. If a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all broken deal expenses relating to such unconsummated transaction may be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in such transaction.

Additionally, as further described herein and in the applicable Memorandum and/or Partnership Agreement of each Fund, it is the Advisers' practice to retain certain operating partners to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such operating partners generally may provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. These services may also include serving in management or policy-making positions for portfolio companies. Operating partners, who are not employees of the Adviser, may receive



compensation, including, but not limited to consulting fees, transaction fees, Board of Directors fees, a profits or equity interest in a portfolio company, profits or equity interests in one or more Funds or General Partners, or other compensation, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such operating partners, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. No such compensation will offset the Management Fee. The use of operating partners subjects the Advisers to conflicts of interest, as discussed under “Conflicts of Interest,” below.

The Management Company and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation may give rise to conflicts of interest between the Funds, on the one hand, and the Management Company and/or its affiliates on the other hand.

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

As described under “Fees and Compensation,” the General Partners may receive a carried interest allocation on certain profits in the Funds, with the exception of the Executive Funds. The Management Company and GP II and GP III also manage the Executive Funds, which are not charged a carried interest or other performance-based fee. This could present a conflict of interest because the Advisers have an incentive to favor accounts for which they receive a performance-based fee. The relevant Advisers address this potential conflict of interest by generally causing the Executive Funds to invest in each portfolio company of Fund II or Fund III, as applicable, in the same proportion of its aggregate available Commitments as the portion of Fund II’s or Fund III’s, as applicable, aggregate available Commitments invested in each such portfolio company. In addition, to the extent reasonably practical, each investment of the Executive Funds in a portfolio company shall be sold proportionately at the same time and on substantially the same terms and conditions as Fund II’s or Fund III’s, as applicable, investment in such portfolio company, subject to any tax, regulatory or legal restrictions or other considerations. See “Methods of Analysis, Investment Strategies and Risk of Loss,” for further discussion of conflicts of interest.

#### **TYPES OF CLIENTS**

The Advisers provide investment advice to the Funds. The Funds are 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 “**Investment Company Act**”). The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, 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 the Advisers and their affiliates and members of their families , operating partners and other service providers retained by the Advisers

Each Fund (other than the Executive Funds) generally has a minimum investment of between \$2 million and \$10 million for third-party investors, which may be waived by the General Partner. The minimum investment for the Executive Funds is generally \$250,000, which may also be waived by the General Partner. In most circumstances, investors in the Funds must meet certain suitability and net worth qualifications prior to making an investment. Generally, investors in Fund I, Fund II, or Fund III must be (i) “accredited investors” as defined under Regulation D of the Securities act of 1933, as amended and (ii) for certain Funds either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act. Interests in the Executive Funds are offered and sold solely to certain sophisticated investors who are also accredited investors.

Each of the State Plan Funds is a single investor vehicle established to accept investment by the Commonwealth of Pennsylvania, Public School Employees’ Retirement System (the “**State Plan**”). The State Plan Funds invest on a side-by-side basis with the applicable related Fund (*e.g.*, Fund II(B) invests on a side-by-side basis with Fund II Main). The State Plan Funds are subject to different investment terms than those available to investors in the other Funds. The terms applicable to Fund III(B) differ from those of Fund III Main and Fund III(A), including: (i) *GP Commitment*. The Commitment of GP III will constitute 10% of the total Commitments of Fund III(B) while the General Partner’s and Executive Fund’s Commitment only constitutes 4.6% of the total Commitments across Fund III Main, Fund III(A) and Fund III(B); (ii) *Key Person*. The events that trigger a Key Person Event (as such term is defined in the applicable Partnership Agreement) differ for Fund III(B) as compared to Fund III Main and Fund III(A); (iii) *Escrow*. The Partnership Agreement for Fund III(B) requires that the Fund escrow distributions made to GP III in an effort to secure the return of certain capital contributions of the State Plan. The Partnership Agreement for Fund III Main and Fund III(A) do not contain a comparable provision; (iv) *All Partner Giveback*. The time period and standard for determining any giveback obligations is different for the State Plan compared to that of a limited partner of Fund III Main or Fund III(A); (v) *Management Fee*. As detailed in “Fees and Compensation,” Fund III(B) pays a lower Management Fee to the Management Company than either of Fund III Main or Fund III(A); and (vi) *Indemnification*. The Partnership Agreement for Fund III(B) provides different standards to comply with statutory requirements for the State Plan.

Certain affiliates of Blue Point and other third party investors may be permitted to co-invest directly in a particular portfolio company or in a holdings company which holds the equity in the portfolio company directly. Co-investment opportunities are typically provided on a fee-free and carried interest-free basis. Co-investment vehicles typically invest and dispose of their investments in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investment vehicle may purchase a portion of an investment from a Fund. Any such purchase from a Fund by a co-investment vehicle generally would occur shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment, and in such case the co-investment vehicle may be charged interest on the purchase to compensate the relevant Fund for the holding period. The Advisers will select which investors are permitted to participate in such co-invest opportunities 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 may be more fully described in the applicable Partnership

Agreement. The Advisers are 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**

The principal investment strategy of Blue Point is to achieve long-term capital appreciation, primarily by acquiring equity and equity-related securities and debt in private growth-oriented companies. Blue Point generally targets middle market manufacturing, service, and distribution companies that are well-positioned for growth through internal expansion and/or strategic add-on acquisitions. Blue Point seeks to make investments of between \$10 million and \$40 million in companies that have between \$20 million and \$200 million in revenue and \$5 million to \$40 million in EBITDA. Investments are predominantly of non-public companies although certain investments in public companies are permitted.

The following is a summary of the investment strategies and methods of analysis generally employed by the Advisers on behalf of the Funds. More detailed descriptions of the Funds' investment strategies and methods of analysis are included in the applicable private placement memorandum and Partnership Agreement for each Fund. *There can be no assurance that the Advisers will achieve the investment objectives of the Funds, and a loss of investment may be possible.*

### **Investment and Operating Strategy**

The Advisers seek to provide returns to investors by (i) using research and contacts to identify investments that the Advisers believe are attractive, (ii) performing analysis and due diligence to select and structure investments and (iii) providing significant resources to portfolio companies.

*Identification of Investment Opportunities.* Blue Point has developed a regional model in an effort to source attractive investment opportunities on a less competitive basis through a localized approach. To this end, Blue Point has opened offices in the Pacific Coast (Seattle) and the Southeast (Charlotte) to complement its home office in the Midwest (Cleveland). The Advisers believe this regional presence allows them to access opportunities to invest in entrepreneur- or family-owned businesses seeking ownership transitions and growth capital through recapitalizations.. While the majority of the Adviser's investment opportunities are sourced through their extensive network of relationships within the regions of their offices, the Advisers seek to also identify industry segments in which they can team with an experienced executive with relationships and attractive operating and/or acquisition strategies within such industries.

The Advisers have also established an office in China (Shanghai). This office assists the Advisers in (i) assessing the Asia-based risks and opportunities associated with potential portfolio company investments, (ii) developing Asia-based revenue-enhancing and cost-cutting opportunities for existing portfolio companies and (iii) developing relationships with Asia-based companies that may be interested in developing relationships with North American-based companies.

*Analysis and Diligence.* The Advisers conduct in-depth due diligence on prospective investments and have developed methodologies and tools for identifying and mitigating risk. To assist in evaluating the competitive landscape, industry history and evolution, market dynamics, and acquisition activity, the Advisers employ both conventional sources of industry information (e.g., market research reports, market intelligence databases, industry trade group resources), and their extensive network of operating executives and industry-specific management consultants who are most familiar with the given industry. The Advisers spend considerable time with the management team of each prospective portfolio company to determine whether its cohesiveness, competency, and initiative are adequate to meet both the anticipated challenges and growth targets during the relevant Fund's period of ownership. The Advisers also perform extensive research on key customers and suppliers to gain a greater understanding of (i) a company's core value proposition, performance, and reputation within an industry, (ii) the customer's perception of "switching costs," and (iii) any potential threats or weaknesses, both domestic and abroad. In addition, when applicable, the Advisers engage Blue Point's China office to provide proprietary insights into trends in Asian markets, supply chains, and production capabilities of a prospective portfolio company. This analysis seeks to determine whether an investment opportunity may be negatively impacted by trends developing in Asia, or, conversely, whether the opportunity exists to grow the business through enhanced contacts with the Asian market.

*Managing Investments.* Early in the investment period, the Advisers seek to create a business plan for the portfolio company that focuses on (i) growing revenues by exploiting the company's niche or market position or through synergistic add-on acquisitions, (ii) enhancing operating profit through efficiencies and cost reductions and (iii) reducing the company's acquisition debt level over time. At the onset of every investment, the Advisers work directly with the management team to develop a plan in order to identify, chart, assign, and monitor the execution of the next immediate steps. In addition to assisting with the management process, the Advisers also seek to improve profitability of their portfolio companies by encouraging cost reduction. This is achieved, in part, through group insurance and risk management program in order to maintain better risk management and insurance cost control.

As part of their strategy, the Advisers maintain relationships with a group of approximately 15 seasoned operating executives. These operating executives (i) provide diagnostic due diligence, (ii) serve on the board of directors of portfolio companies, (iii) provide interim management when necessary, (iv) assist in special projects for portfolio companies, (v) act as mentors to the chief executive officers of Blue Point portfolio companies and (vi) at times take a permanent management position with a portfolio company.

*Realization of Liquidity.* The Advisers believe the method of exit is an integral component of value creation and they actively evaluate exit options prior to investing in a company. The Advisers' objective is to build larger, more professional businesses over a four-to-six year time horizon. As part of the investment process, potential exit strategies are discussed with the management team and analyzed within the context of the proposed strategic growth plan. The Advisers monitor investment performance and market conditions to regularly evaluate the optimal timing of an exit. Since management generally invests equity capital alongside the relevant Fund and is provided with incentives to earn additional equity upon a successful liquidity event, management and the Advisers have aligned interests towards realizing capital appreciation over the investment period.

## Risks of Investment

Each Fund and its investors bear the risk of loss that the applicable Advisers' investment strategy entails. The risks involved with an Adviser's investment strategy and an investment in a Fund are detailed in such Fund's private placement memorandum. The following list is not a complete list of all risks involved in connection with an investment in the Funds. In general, the risks applicable to each Fund and the activities of its related General Partner and the Management Company 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 the Advisers' prior investments is not necessarily indicative of a Fund's future results. While the General Partner intends for a Fund 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 is possible.

*Investment in Junior Securities.* The securities in which a Fund 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.* A Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. 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 such Fund's aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

*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, structuring and completing private equity and related subordinated debt transactions is highly competitive and involves a high degree of uncertainty. However, limited partners will be required to bear annual Management Fees through a Fund based on the entire amount of the limited partners' Commitments to such Fund, and other fees as set forth in the applicable Partnership Agreement.

*Dynamic Investment Strategy.* While the General Partner generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, the General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the Partnership Agreement. A General Partner may pursue investments outside of the industries and sectors in which Blue Point has previously made investments or has internal operational experience.

*Leveraged Investments.* A Fund generally makes use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company, usually in respect of companies not rated by credit agencies. Leverage generally magnifies both a 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, and at times 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 such 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 operate its business as desired and/or 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 a 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 such 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, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). A Fund may incur leverage on a joint and several basis with one or more other Funds and entities managed by Blue Point or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of a Fund.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Fund investments and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of a Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

*Projections.* Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by each company's management, with adjustments to such projections made by the Adviser in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties 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.

*Reliance on Portfolio Company Management.* Although the General Partner 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 a Fund generally intends to invest in companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company, whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons. There is no assurance that a Fund will make follow-on investments or that a Fund 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 (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for such Fund to increase its participation in a successful operation.

*Non-U.S. Investments.* A Fund may invest a portion of the aggregate Commitments in portfolio companies that are organized or headquartered 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), and the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or the partners with respect to a Fund's income, and possible non-U.S. tax return filing requirements for a Fund and/or the limited 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.

*Director Liability.* A Fund will often obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) 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.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other

sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. 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. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn 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 businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio companies.

*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 such Fund to implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of increased 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 2008-2009 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.

*Material Non-Public Information.* Rarely, as a result of the operations of Blue Point and its affiliates, Blue Point may come into possession of confidential or material non-public information. Therefore, Blue Point and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Advisers' internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

## **Conflicts of Interest**

Blue Point and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, investment advisory, legal, management and other services to the Funds and portfolio companies. In the ordinary course of the Advisers conducting their activities, the interests of a Fund may conflict with the interests of the Advisers, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein.



During the investment period of each of the Funds, the principals of the Advisers (the “**Principals**”) pursue all appropriate investment opportunities exclusively through the Funds, subject to certain exceptions. However, the Principals will typically manage several other funds and investments similar to those in which the Funds invest, and may direct certain relevant investment opportunities to those funds and investments rather than to the Funds. The Principals and the Advisers’ investment staff will continue to manage and monitor such funds and investments. The significant investment of the Principals in each of the Funds, as well as the Principals’ interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the limited partners in the Funds, although the Principals have economic interests in such other funds and investments as well and receive management fees and carried interests relating to these interests. Such other funds and investments that the Principals may control or manage may compete with the Funds or companies acquired by the Funds. Following the investment period of the Funds, the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to the Funds’ investments.

From time to time, the Principals will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds operated by Blue Point. In determining which investment vehicles should participate in such investment opportunities, the Advisers and their affiliates are subject to conflicts of interest obligations among the investors in such investment vehicles. Investments by more than one client of the Advisers in a portfolio company may also raise the risk of using assets of a client of the Advisers to support positions taken by other clients of the Advisers. When and to the extent that related persons of Blue Point and its affiliates make capital investments in or alongside certain Funds, the Advisers and their affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Because the General Partners’ carried interest is based on a percentage of net realized profits, it may create an incentive for the Advisers to cause the Funds to make riskier or more speculative investments than would otherwise be the case. That incentive is moderated because any investment losses also result in a reduction of the General Partner’s carried interest amounts. Under the terms of the Partnership Agreements, the General Partner is responsible for determining the unrealized fair value of investments and an advisory committee consisting of limited partners of the Funds and such other investment vehicles (an “LP Committee”) is responsible for reviewing the valuations at least annually and, if necessary, objecting to them. In certain Partnership Agreements, the amount of Management Fees after the investment period and the timing of carried interest payments to the General Partner may depend on the valuations, which may create an incentive for the Advisers to assign a higher value to the investments than would otherwise be the case. That incentive is moderated by the requirement that the General Partner present the valuations to the LP Committee to determine whether the LP Committee objects.

Since the General Partners are permitted to retain certain Supplemental Fees (as described under “Fees and Compensation”) in connection with Fund investments, the Advisers could have a conflict of interest in connection with approving transactions. The General Partner attempts to resolve such conflict by offsetting the Management Fee by a specified percentage of such Supplemental Fees.

As a result of the Funds' controlling interests in portfolio companies, the Management Company and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to the Management Company and/or its affiliates. Such amounts will be in addition to any Management Fees or carried interest paid by a Fund to the Management Company.

Additionally, a portfolio company typically will reimburse the Adviser or service providers retained at the Adviser's discretion for expenses (including without limitation travel expenses) incurred by the Adviser or such service providers in connection with their performance of services for such portfolio company. This subjects the Adviser and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements may be substantial. Each Adviser determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to such Adviser or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Each Adviser generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) the Adviser or a related person of the Adviser (which may include a portfolio company of such Fund) or (ii) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. This subjects the Adviser to conflicts of interest, because although the Adviser selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, the Adviser may have an incentive to recommend the related or other person because of its financial or other business interest. There is a possibility that the Adviser, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not the Adviser has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Management Company and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by the Management Company and/or its affiliates; conversely, former personnel or executives of the Management Company and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by the Adviser. Similarly, the Management Company, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions or other service providers and other market participants, including managers of private funds, banks and brokers. Certain of these

persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Management Company and/or its affiliates, and/or the Funds or other investment vehicles they advise. An Adviser may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide the Adviser information about markets and industries in which the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

An Adviser, its affiliates, and equityholders, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to a Fund. In addition, officers, Principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to the policies and procedures set forth in Blue Point's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Fund.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by an Adviser, are reimbursed by a Fund and/or its portfolio companies, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to operating partners and other third party consultants (including consultants introduced or arranged by the Advisers and/or their affiliates that may regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Operating partners may make use of the Advisers' resources or otherwise be associated with an Adviser. An Adviser and/or its affiliates may agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Although the use of operating partners and the allocation of compensation paid to them by an Adviser, its affiliates and/or the portfolio companies may subject the Adviser and/or its affiliates to potential conflicts of interest, the Advisers believe that such potential conflicts may be reduced by the anticipated revenue increases or cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the operating partner is lower than market rates for the services provided and/or if the quality of the services of the operating partner make a greater contribution to the success of the portfolio company. Although the Advisers seek to retain operating partners with a view to increasing revenues or reducing costs to portfolio companies and, ultimately, the Funds, a number of factors may result in limited or no revenue increase or cost savings from such retention. The Advisers also seek to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Advisers believe will align such persons' interests with those of the Funds' limited partners.

Because a General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for the General Partner to cause a Fund to make riskier or more speculative investments than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when the Adviser may not otherwise have done so. Since the Advisers are permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, they could have a conflict of interest in connection with approving transactions and setting such compensation.

An Adviser may enter into side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Any of these situations subjects the Advisers and/or their affiliates to potential conflicts of interest. The Advisers attempt to resolve such conflicts of interest in light of their obligations to investors in the Funds and the obligations owed by the Advisers' advisory affiliates to investors in investment vehicles managed by them, and attempt to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, an Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, an Adviser consults and receives consent to conflicts from an LP Committee.

#### **DISCIPLINARY INFORMATION**

The Management Company 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 Blue Point investment advisers:

- BPCP Management, L.P. (general partner of Blue Point Capital Partners, L.P. and Blue Point Capital Partners (B), L.P.);
- BPCP Management II, L.P. (general partner of Blue Point Capital Partners II, L.P., Blue Point Capital Partners II (B), L.P. and Blue Point Capital Partners II Executive Fund, L.P.); and
- BPCP Management III, L.P. (general partner of Blue Point Capital Partners III, L.P., Blue Point Capital Partners III (A), L.P., Blue Point Capital Partners III (B), L.P. and Blue Point Capital Partners III Executive Fund, L.P.).

The General Partners are deemed registered with the SEC under the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business and serve as managers or general partners of the Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

The principals of Blue Point were previously affiliated with Key Equity Capital ("**KEC**"), the private equity investment group of KeyCorp, a publicly-traded bank holding company based in Cleveland, prior to spinning out in 2000 to form Blue Point. Key Capital Corporation, an affiliate of KEC, is an investor in certain of the Funds and the principals of the Advisers advise KEC and KeyCorp with respect to certain business matters. Blue Point utilizes KeyCorp to provide its banking and custodial services.

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

The Advisers have adopted the Blue Point Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the Advisers’ principals and employees and addresses conflicts that arise from personal trading. The Code requires the Advisers’ 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 client or prospective client upon request to Blue Point’s Chief Compliance Officer at (216) 535-4710. 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.

The Advisers and their 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, the Advisers and their 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 the Advisers. Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers 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 Blue Point personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in the Funds. The Funds may invest together with other Funds advised by an affiliated adviser of the Management Company in the manner set forth in the applicable Partnership Agreement. The Advisers will determine allocation of investment opportunities, including participation in any co-invest vehicles, in a manner that they believe is fair and equitable to their clients consistent with the Advisers’ fiduciary obligations and consistent with the applicable Funds’ underlying documents.

From time to time, the Advisers may provide certain investors or other persons the opportunity to participate in co-invest vehicles that may invest in one or more portfolio companies alongside a Fund. For strategic and other reasons, in certain instances, a co-invest vehicle may purchase a portion of an investment from a Fund. The co-invest buy-down typically

occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment. The co-invest vehicle is generally not charged interest on its buy-downs.

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

From time to time, the General Partners may borrow funds on behalf of the Funds and contribute such borrowed amounts to the Funds (or relevant Fund, as applicable) as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the limited partners, consistent with the applicable Partnership Agreement (or other governing document) and the expense policy described under "Fees and Compensation." In borrowing on behalf of the Funds or a Fund, the General Partners are subject to conflicts of interest between repaying their obligations and retaining such borrowed amounts for the benefit of the Funds or Fund, as applicable. The General Partners will effect any such borrowings in a manner that they believe to be fair and equitable to the Funds or Fund, as applicable, and consistent with the General Partners' obligations to the Funds and the Partnership Agreement (or other governing document).

The Advisers or their affiliates may recommend the purchase or sale of securities for Funds in which one or more of their partners, members, officers, directors, employees (and members of their families) or affiliates ("**affiliated persons**"), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the Funds. Certain of these transactions may require the consent of the applicable Fund or applicable LP Committee.

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions on behalf of a Fund, to the extent they do so, they will follow the brokerage practices described below.

If the Advisers purchase or sell publicly traded securities for a Fund, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers 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) responsiveness to requests for trade data and other financial information. As a result, although

the Advisers generally will seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since their inception.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage 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 the Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, the Advisers may, but are 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 the Advisers 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. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

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 Funds.

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 Funds over time.

In the Advisers’ private company securities transactions on behalf of the Funds, the Advisers may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, the Advisers may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Advisers generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

## **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, the Advisers closely monitor companies in which the Funds invest, and the Blue Point Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.



The Funds generally will provide to their limited partners (i) audited financial statements annually, (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 and (iv) descriptive investment information (including reports of acquisitions and dispositions) for each portfolio company quarterly.

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

The Advisers and/or affiliates may provide certain business or consulting services to companies in the Funds' portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Fund's Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Funds. However, in other cases, these fees would be in addition to Management Fees. See "Fees and Compensation."

The Advisers or their affiliates may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents will be paid by the applicable Fund but borne by the relevant Adviser indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

#### **CUSTODY**

The Advisers maintain custody of the Funds' assets held in the Funds' names with KeyBank National Association, a qualified custodian located at 127 Public Square, Cleveland, OH 44114.

#### **INVESTMENT DISCRETION**

The Advisers have discretionary authority to manage investments on behalf of the applicable Fund. As a general policy, the Advisers do not allow limited partners to place limitations on this authority, provided that the Partnership Agreement of a Fund may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the Partnership Agreement, however, an Adviser may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the Fund (including economic or other terms) may be altered or varied. The Advisers assume this discretionary authority pursuant to the terms of the Partnership Agreement, the investment management agreement between each Fund, the applicable General Partner and the Management Company and powers of attorney executed by the limited partners of each Fund.

#### **VOTING CLIENT SECURITIES**

The Advisers have adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for the Funds' portfolio investments. The majority of "proxies" received by the Advisers will be written shareholder consents (or similar instruments) for private companies, although the Advisers may also receive traditional proxies

from public companies from time to time. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Funds' investors, for example, 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 the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of an LP Committee, on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Blue Point personnel or the Advisers' 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 the Advisers when voting proxies on behalf of the Funds. If you would like a copy of the Blue Point's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Blue Point's Chief Compliance Officer at (216) 535-4700, and it will be provided to you at no charge.

#### **FINANCIAL INFORMATION**

The Management Company 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.