

# BLUM CAPITAL PARTNERS, L.P.

## *Item 1 - Cover Page*

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**March 31, 2017**

This ADV Part 2A or Brochure provides information about the qualifications and business practices of Blum Capital Partners, L.P. (the “Firm”). If you have any questions about the contents of this Brochure, please contact Karen Snater, Chief Compliance Officer, at +1 (415) 434-1111 or by email to [ksnater@blumcapital.com](mailto:ksnater@blumcapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Blum Capital is an investment adviser registered with the SEC. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about the Firm also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).





## ***Item 2 - Material Changes***

This Form ADV Part 2A Brochure dated March 31, 2017 has been prepared by Blum Capital Partners, LP (“Blum” or the “Firm”) and is being filed with the Securities and Exchange Commission (“SEC”) and discusses only material changes to the brochure since its last annual filing.

Since the last annual update of this Brochure on March 30, 2016, the Firm promoted Karen Snater to Chief Compliance Officer.

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#### ***Item 4 - Advisory Business***

**Blum Capital Partners, L.P.** (the “Firm” or “we”), a California limited partnership, was founded and organized by Richard C. Blum in 1975 and has been registered as an investment adviser with the SEC since 1989. Richard C. Blum and Associates, Inc. (“RCBA”), of which Mr. Blum is the majority owner, is the Firm’s general partner, and RCBA and Mr. Blum are the majority owners of the Firm.

The Firm provides investment advisory services to pooled investment vehicles (“Funds”). The Firm serves as the investment adviser to the Funds and it or one of its affiliates generally also serves as the general partner or managing member of the Funds.

The Funds include private equity funds which are currently invested in one public and three private securities and co-investment and alternative investment vehicles that the Firm has established on a transaction-by-transaction basis to invest in a single security or transaction, either alone or alongside one or more of the other Funds.

The Firm also provides real estate monitoring services to an investment partnership that owns only real property. This partnership is not included in the defined term “Fund” used in this document, because the assets in this partnership are exclusively real property rather than securities.

As of December 31, 2016, the Firm had \$312,194,108 in regulatory assets under management, all managed on a fully discretionary basis. The Firm does not manage assets on a nondiscretionary basis.

The Firm does not provide individual advice to investors in the Funds. Such investors have no opportunity to select or evaluate Fund investments or strategies; the Firm selects all investments and strategies.

## ***Item 5 - Fees and Compensation***

### **A. Adviser Fees and Compensation**

Management fees for the Funds are based on the amount of capital commitment or the cost of remaining investments (invested capital) and generally range from 1.25% to 1.5% per annum of committed or invested capital.

The private equity Fund agreements also provide for the allocation to the Firm or one of its affiliates of a “carried interest,” which typically equals 20% of investment profits (net disposition proceeds and current income), after investors in the Fund have received a specified preferred return.

Fees for co-investment vehicles are negotiated on a vehicle-by-vehicle basis, but typically include management fees and performance fees or profit allocations similar to those paid in the Funds.

The Firm charges a fixed annual monitoring fee to the real estate investment partnership to which it provides property monitoring services.

The disclosure in this Item 5, together with the disclosure in Item 12, is intended to allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in a Fund to use the “alternative reporting option” to report the Firm’s compensation as “eligible indirect compensation” on Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

### **B. Payment of Fees**

Management fees payable by Funds to the Firm are generally paid quarterly in advance and are non-refundable unless the Fund terminates its engagement of the Firm or a limited partner withdraws from a Fund on a date other than the date prior to a management fee payment date. A pro-rated portion of the management fees that were paid in advance for that quarter will be refunded to each limited partner or the withdrawing limited partner, as the case may be. Profit allocations and carried interest from Funds are assessed upon the realization of specific investments by the Funds and overall Fund returns. Since the Funds are closed-end, investors may not redeem interests until the end of the Fund’s life, but are entitled to distributions. The Firm deducts its management fees and performance fees/profit allocations directly from the Funds by instruction to the Funds’ custodians.

The monitoring fee is generally collected from the real estate investment partnership on a quarterly basis.

Investors may be allowed, at the discretion of the General Partner, to transfer their interests in a Fund to another investor, and in such case any fees paid in advance are allocated pro-rata to

the transferee and the transferor pursuant to the particular partnership agreement and/or the transfer agreement.

Detailed information regarding the fees and expenses charged to the Funds is provided in the respective limited partnership agreement of each Fund.

### **C. Other Fees and Expenses**

The Funds pay their own investment expenses, such as brokerage, registration and custodial fees, commissions and related costs, interest costs, insurance costs, indemnification and litigation costs, taxes, duties and other governmental charges, legal fees, internal and external accounting fees, audit and tax preparation fees, and transaction and due diligence expenses (whether or not the transaction or investment is consummated). Some expenses, such as expenses in connection with a portfolio investment or a proposed portfolio investment, may apply across multiple Funds. In such case those expenses are allocated among those Funds pro rata in proportion to their respective participation in that investment or proposed investment, as determined by the Firm in its sole discretion.

The Firm bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above.


Certain affiliates of the Firm are partners in partnerships or members in limited liability companies that invest exclusively in real property, either directly or through additional entities that the Firm or its affiliates directly or indirectly control. Neither the Firm nor its affiliates provide securities investment advisory services to these vehicles. However, certain employees and affiliates of the Firm may provide administrative and monitoring services with respect to the real property investments, for which they (but not the Firm) may receive fees and/or preferred returns, and transactional fees in connection with the acquisition or disposition of specific properties or investments. Please see Item 10.

### **D. Additional Compensation**

The Firm and its related persons may receive transaction fees or directors' fees associated with a portfolio investment in cases where an employee of the Firm or one of its affiliates serves on the portfolio company's board of directors. If such person serves on the board on behalf of the Firm or one of its affiliates, such fees generally are credited as an offset to the management fees that would be payable to the Firm by the applicable Funds.

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

The Funds pay performance-based fees or allocations. Although the performance-based compensation is typically 20% of net profits after a specified preferred return, the Firm may in the future charge different performance-based compensation to a Fund, or it may manage a Fund without charging performance-based compensation. If one fee structure would generate higher compensation to the Firm than another fee structure, the Firm would have a conflict of



interest because it would have an incentive to favor the Fund that pays higher fees. The Firm attempts to avoid conflicts of interest that may arise as a result of the management of multiple Funds. The Firm may give advice or take action with respect to one Fund that may differ from advice or action taken by the Firm on behalf of another Fund. The Firm has procedures that have been designed and implemented to ensure that all the Funds are treated fairly and equitably. The Firm has adhered to a consistent trade allocation procedure, allocating investment opportunities pro-rata based on the Fund's cash availability, taking into account the availability of investible monies, account portfolio weightings and other considerations. In addition, the Firm's policies and procedures require review of Fund allocations on a regular basis. Currently, only one Fund is making new investments, which eliminates the side-by-side allocation of new investment returns.

A conflict may arise when a Fund makes an investment in a company when another Fund already has an investment in the same company. In such a case, the Firm may be required to consult and obtain approval for the transaction from one or more of the Funds' independent advisory committees.

The Firm may recommend or cause a Fund to invest in a security in which the Firm or a person associated with the Firm has an ownership position or of which an employee of the Firm is a director. The Firm or the person associated with the Firm may purchase a security of the same class of securities held in a Fund or recommended by the Firm. The Firm has policies to ensure that the Firm and its associates are not advantaged over its Funds with respect to these investments, and that the Firm does not trade on material non-public information.

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

Some of the Firm's Funds may invest in other Funds that are also clients of the Firm. If the Firm has investment discretion to cause one Fund to invest in another Fund, and the Firm or an affiliated entity receives compensation from both Funds, a conflict of interest exists, since the Firm has an incentive to select its own Fund for investment, rather than an unaffiliated investment vehicle that may be more appropriate for the investing Fund. To address this conflict, the Firm ensures that it or its affiliate waives its fees in one Fund with respect to assets that are invested in both Funds, so that investors do not pay two layers of fees to the Firm and its affiliates with respect to those assets. In addition, the Firm obtains the consent of the investing Fund where required, and monitors client accounts to ensure they are invested in accordance with their investment objectives.

### ***Item 7- Types of Clients***

The Firm serves as investment adviser to the Funds and certain affiliates serve as general partner and/or managing member of the Funds.

Each Fund qualifies for an exception from the definition of “investment company” under the Investment Company Act of 1940, as amended (the “ICA”). For Funds that fall within ICA Section 3(c)(7), all of their investors must be “qualified purchasers” as defined in the ICA.

The Funds offer their interests to investors pursuant to Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and all investors in the Funds must be “accredited investors” under the Securities Act.

Investors in any Fund that charges performance fees or profit allocations must be “qualified clients” under the Advisers Act.

Each Fund has required a minimum initial investment of \$10,000,000, although the Firm has had the discretion to waive this minimum.

Historically, investors in the Funds have included corporate and state/local pension and profit-sharing plans, trusts, endowments, foundations, charitable organizations and estates, corporations, limited partnerships, limited liability companies, banks and thrift institutions, and high net worth individuals.

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

### **A. Method of Analysis**

The Firm follows a value-oriented approach to making investment decisions and will invest in public and private securities it believes are undervalued or would offer the potential for attractive returns.

The Firm utilizes its extensive network of industry, business and personal contacts to source potential investments, as well as its private equity focused principals’ networks of consultants, brokers, former employees, executives, and industry experts.

### **B. Investment Strategies**

The Firm invests in private companies through a variety of formats, investment professionals seek to 1) proactively identify attractive businesses to own; 2) determine the most favorable ways to invest in those businesses across the private spectrum; and 3) once investments are made, work to help drive value creation as an active, engaged partner to management teams and boards of directors. By leveraging our flexibility to invest across a variety of investment formats, we seek to identify and capitalize upon investment opportunities with the most favorable risk/reward characteristics across the private spectrum, taking into account financial leverage/balance sheet risk, liquidity and the relative benefits of influence versus control.

The key elements of our investment strategy are:

- *Business quality:* We proactively target and acquire stakes in high quality businesses in the private markets. We believe in the importance of investing in businesses with defensible



franchises, long-term growth potential, high returns on invested capital and high surplus cash flow generation.

- *Entry valuation:* We look to take advantage of opportunities that offer compelling entry valuations, including giving consideration to situations where we are able to structure terms that provide an incremental margin of safety against permanent capital impairment. We exercise patience and discipline in selecting and structuring such opportunities.
- *Value-add:* As a financial sponsor, our intent is to be an influential investor of our portfolio companies and to build a constructive partnership with the management team and/or the board of directors in order to implement leadership (including governance), business (including operating improvement) and financial strategies. This type of collaboration allows us to initiate and assist in the implementation of value-added strategies designed to effect positive change and enhance the performance of investments independent of the performance of the overall financial markets.
- *Long-term time horizon:* We are long-term investors with a target time horizon that is typical of most private equity investors. Our long-term time horizon provides a necessary foundation for our sponsorship-driven investment strategy as we match the planning and value-realization horizons of our partner management teams.
- *Focus on small and mid-size company opportunities:* We focus our efforts on small and mid-size companies because it is within this universe of companies that we are able not only to find situations that are ignored or “under the radar screens” of mainstream research, but also to gain the appropriate level of influence as shareholders/owners. In the context of privately-negotiated transactions, we are generally viewed as participating in the “middle market”, but we typically avoid auction processes and focus on proprietary or semi-proprietary/negotiated opportunities sourced through our differentiated networks.

### **C. Material Risks Relating to the Firm’s Investment Strategies**

There can be no assurance that the Firm’s investment objectives will be achieved or that investors in the Funds will receive a return of their capital. Investments in private equity involve a high degree of risk. Investors should carefully consider the following factors, which do not purport to be a complete list of all the risks involved in such an investment.

Nature of Securities. The primary goal of all of the Funds is to maximize the value of the existing Portfolio and any new investments, monetize these investments and distribute the related proceeds to the limited partners of the Funds. The securities comprising any new investments acquired by the Funds will involve a high degree of financial risk. Any new investment decision will depend on the availability of appropriate and desirable investment opportunities. Accordingly, there can be no assurance that the Funds’ rate of return objectives will be realized or that there will be any return of capital. It is possible that the Funds will incur significant losses in one or more investments.

General Private Equity Risks. The success of the Firm's private equity investment strategy depends in large part on the Firm's ability to identify undervalued investment opportunities and exit points. Identification and exploitation of the investment strategies to be pursued involve a high degree of uncertainty. No assurance can be given that the Firm will be able to locate suitable investment opportunities in which to deploy all of an investor's invested capital. There can be no assurance that the management of any portfolio company will agree to the Firm's proposed strategic initiatives, or that the strategy or strategies that the Firm helps to implement will be effective. Target companies may respond to the Firm's proposals by taking defensive measures that may adversely affect the value of an investor's investment and may result in higher transaction expenses if the Firm must resort to measures to protect the value of its investment that involve litigation or shareholder governance activities. Such measures could generate negative publicity for the Firm, the Funds, and the Funds' investors. There is no certainty that such adverse publicity will not have adverse consequences for all such parties.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and successfully disposing of attractive investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that the Firm will be able to locate, complete and exit investments which satisfy a Fund's rate of return objectives and or reflect full realization of their value, or that the Firm will be able to fully invest its committed capital. To the extent that the Firm encounters competition for investments, returns to investors may decrease.

Investments in Smaller Capitalization Companies. A Fund may invest a portion of its assets in the securities of smaller or less established companies. Portfolio investments in such smaller or less established companies may involve greater risks than generally are associated with investments in larger or more established companies. Smaller or less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance.

Control Investments and Directorships. The Firm has acquired control positions in certain companies in which it has invested. Additionally, employees of the Firm and its related entities may serve as directors of portfolio companies in which the Funds are invested. The exercise of control over a company through a control position, or the service of an employee of the Firm or its related entities as a director of such company, could: (i) expose a Fund's assets to claims by such company, its security holders and creditors, or (ii) impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored. If these liabilities were to occur, the Funds and their investors would likely suffer losses in their investments. Currently, only one Fund will be making new investments and its investment guidelines prohibit it from making control investments.

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

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

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

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

Market Dislocation. The sub-prime mortgage market and other areas of the fixed income markets have historically caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets, as well as in the wider global capital and financial markets. Global financial markets have experienced considerable declines in the valuations of equity and debt securities, an acute contraction in the availability of credit

and the failure of a number of leading financial institutions. To the extent the Firm's portfolio companies participate in or have exposure to such markets, the results of their operations may be adversely affected. In addition, to the extent that such marketplace events continue and/or worsen, this may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Further, economic downturn could adversely affect the financial resources of the Firm's portfolio companies and their ability to make principal and interest payments on, or refinance outstanding debt when due. In the event of such defaults, Funds could lose both invested capital in and anticipated profits from the affected portfolio companies. Such marketplace events have also severely decreased the availability of financing (and increased the interest cost) for investments, which may impair the Firm's ability to consummate certain transactions or cause the Firm to enter into certain transactions on less attractive terms. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling or less willing to finance new private equity investments or only to offer committed financing for these investments on less favorable terms than had been predominant in the past.

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

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

Leverage. Certain investments have capital structures with significant leverage. Consequently, the leveraged capital structure of such portfolio companies will increase their exposure to adverse factors such as rising interest rates, downturns in the economy or a deterioration in the business of a portfolio company or its industry, and may impair such companies' ability to meet their debt obligations. Additionally, the Funds may leverage their investment positions by borrowing. Failure to satisfy the terms of debt incurred by the Funds can have negative consequences, including forced liquidation of other portfolio investments in order to satisfy the borrower's obligations. Leverage may also take the form of trading on margin, which will result in interest charges that could be substantial. The use of leverage will have the effect of increasing the volatility of the Funds' investments.

Bridge Financings. Occasionally, a Fund may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always within a Funds control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Fund.

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

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

**Conflicts of Interest.** Investors in a Fund may have conflicting investment, tax and other interests with respect to their investments in that Fund. The conflicting interests of individual investors may relate to, or arise from, among other things, the nature of portfolio investments, or their structuring, acquisition or disposition, as well as the investors' own particular tax situations. As a consequence, conflicts of interest may arise in connection with decisions made by the Firm and its related entities, including with respect to the nature or structuring of portfolio investments, which may be more beneficial for one investor than for another investor in a particular Fund, especially with respect to an investor's individual tax situation. In selecting and structuring portfolio investments appropriate for each Fund, the Firm will consider the investment and tax objectives of each Fund as a whole, not the investment, tax or other objectives of any investor individually.

**Limited Terms of Funds.** The Firm may on occasion be required to liquidate all or a portion of a security held by a Fund because that Fund has come to the end of its term. Such sale could depress the price of that security, and accordingly adversely affect the returns of any other Funds that hold that security.

**Illiquidity of Fund Interests.** There is not and will not be an active market for interests in the Funds. It may be impossible for an investor to liquidate or transfer such interests, even in an emergency.

**Cybersecurity Risks.** Although the Firm employs various computer security measures, there can be no guarantee that it would be successful in fending off cybersecurity attacks from viruses, malware, computer hackers or other malicious corruption of its information technology systems. Cybersecurity breaches of the systems of the Firm or its service providers (including accountants, custodians, transfer agents and administrators) may cause disruptions to business operations, cause losses due to theft or other reasons, interfere with Funds' net asset value calculations, impede trading, or lead to violations of applicable privacy and other laws, regulatory fines and penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. The Firm cannot control the cybersecurity plans and systems put in place by its service providers and the issuers in which it invests. Any cybersecurity breach could materially and adversely affect the Firm and the Funds.

## ***Item 9 - Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a fund's or prospective fund's evaluation of the Firm or the integrity of its management. The Firm has no reportable disciplinary information.

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

### **A. Description of Other Financial Industry Activities and Affiliations**

Certain employees of the Firm serve on the boards of directors of several public and private companies, which are issuers of securities currently held by the Funds, including: Avid Technology Inc., Pacific Alliance Group Holdings Limited, X Group Holdings Limited and Payless Holdings, LLC. In addition, three of the Firm's partners serve on boards of companies that are not portfolio companies. One of the Firm's partners is on the board of directors of two unaffiliated registered foreign investment funds and one unaffiliated private company; another of the Firm's partners is on the board of directors of three unaffiliated publicly traded real estate investment trusts; and another of the Firm's partners is on the board of directors of an unaffiliated energy technology company. The Firm has policies to ensure that the Firm does not trade on any material non-public information it receives by virtue of these relationships or otherwise. Conflicts may arise in allocating time between serving as board member and serving as a Firm employee managing investments for the Firm's Funds.

One of the Firm's managing partners is the owner and chief executive officer of Blum Investment Partners, Inc. ("BIP"), an investment advisory firm that serves as the general partner or manager of private funds that invest in real estate and in other investment funds managed by unaffiliated investment advisers. Because BIP does not exercise investment discretion over accounts that make the same types of investments as the Firm, the Firm believes that this affiliation does not create any material conflict of interest with the Firm's Funds.

One of the Firm's managing partners is a principal in a firm, MSP Capital Management, L.L.C. ("MSP"), an investment advisory firm that organizes and manages real estate investment partnerships, and sources and monitors real estate investments for those funds. Affiliates of the Firm, and third party investors, are investors in those funds, and certain officers and employees of the Firm are also employees or consultants to MSP. The Firm's investment strategy does not include investing in real estate. Therefore, since real estate investments are not suitable for the Funds, the Firm believes that its relationship with MSP does not create material conflicts of interest with its Funds.

The Firm and certain of its affiliates are limited partners of partnerships, or members of limited liability companies, that manage private funds that invest in domestic operating companies as well as companies outside the U.S. Some of the Firm's employees are invested in and/or serve as officers of these entities. The Firm does not provide investment advisory services to those entities or those funds. One of the Firm's partners, however, has shared investment authority over some of the mature investments in some of these funds, and some of the Firm's employees spend part of their time monitoring those investments.

The Firm has internal policies and procedures to address actual and potential conflicts of interest that may arise from the foregoing relationships and affiliations with other investment-related entities. In cases where no specific procedure exists to resolve a conflict, the Firm's



Chief Compliance Officer and the Partners of the Firm will be responsible for resolving the conflict. Please see further discussion in Item 10.B.

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

The Firm's Chief Compliance Officer and the Partners of the Firm are responsible for identifying, reviewing, and resolving potential and actual conflicts of interest with the Firm's funds. The Chief Compliance Officer and/or the Partners of the Firm are responsible for reviewing any proposed board of director positions or financial industry activities in which the Firm and/or its employees may participate for potential conflicts of interest, and for approving such affiliations and activities. The Chief Compliance Officer and the Partners of the Firm are responsible for designing policies and procedures to address potential or actual conflicts. All of the Firm's employees have the duty to report any material potential or actual conflicts of interest to the Chief Compliance Officer. When a material conflict of interest is identified, it is evaluated and resolved by the Chief Compliance Officer and at least one member of the Firm's Management Committee.

***Item 11 - Code of Ethics, Participation or Interest in Fund Transactions and Personal Trading***

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

Employee personal trading is regularly monitored under the Code in a manner designed to prevent conflicts of interest between the Firm, its investors and/or the Funds.

The Code is designed to assure that the personal securities transactions, activities and interests of the Firm's employees will not interfere with: (i) making decisions in the best interests of the Firm's Funds; and (ii) implementing such decisions, while at the same time, allowing employees to invest for their own accounts. Under the Code, employee trading in certain classes of securities have been designated as exempt transactions, based upon a determination that these transactions will not materially interfere with the interests of Funds. The Code requires pre-clearance of most other transactions. Employees are required to execute an approved trade within two business days of receipt of approval, or seek new approval. The Firm's employees are also required to report and/or disclose certain reportable securities transactions to the Firm's Chief Compliance Officer on a quarterly basis.

Because the Code in some circumstances permits employees to invest in the same securities as its Funds, there is a possibility that employees might benefit from a Fund's trading in a security



also held by an employee. Accordingly, the Firm has adopted policies intended to prevent employees, associated persons, and certain relatives of employees from benefiting from any price movement that may be caused by Fund transactions or the Firm's recommendations regarding such securities. Trading by the Firm, its employees and its associated persons (and certain of their relatives) is restricted in close proximity to Fund trading activity. The Firm imposes additional requirements on its investment professionals, who must disclose to the Firm's Investment Committee and Management Committee any direct or indirect pecuniary, business, or personal interest they have in any securities which they are recommending for any Fund.

The Code also contains procedures to prevent insider trading by the Firm, its employees and its associated persons (and certain of their relatives). The Firm's Compliance Manual also contains policies and procedures intended to prevent violations of the law and avoid conflicts of interest. An investor or prospective investor can obtain a copy of the Firm's Code of Ethics, upon written request, by contacting the Chief Compliance Officer, Karen Snater, at Blum Capital Partners, L.P., 909 Montgomery Street, Suite 400, San Francisco, CA 94133, by telephone at 1 415 434 1111, or by email to ksnater@blumcapital.com.

## ***Item 12 - Brokerage Practices***

### **A. Broker-Dealer Selection Criteria**

The Firm has historically employed a long-term concentrated strategic block investment approach in its investment Funds which is not trading intensive. The Firm generally selects brokers and dealers to execute Fund transactions based primarily upon their ability to deliver best price and execution. The reasonableness of a broker's commission or a dealer's markup or markdown is a factor in the Firm's decision, as is the overall quality and level of service offered by such broker or dealer, the value of advice and research reports including third party research, the broker's ability to locate liquidity and minimize market impact, the broker's ability to maintain confidentiality of the Firm's trading intentions, and any other relevant factors that impact the price or execution of a trade. Currently, the Firm, on behalf of the Funds, has entered into an agreement with BTIG, LLC ("BTIG"), a broker-dealer, to provide exclusive brokerage and trading services to the Funds. BTIG has an agreement with Goldman Sachs Execution and Clearing, L.P. ("Goldman Sachs"), who serves as prime and clearing broker and custodian to its Funds for which BTIG is the executing broker. The Firm and its related entities reserve the right, in their sole discretion, to change brokerage and custodial arrangements without further notice to its investors.

### **B. Soft-Dollar Practices**

The Firm has received certain research or other products or services from broker-dealers through soft-dollar arrangements. Research currently received is generally used to service all Funds. Research products and services provided to the Firm generally include research reports on particular industries and companies; economic surveys, data, and analyses; recommendations as to specific securities; financial publications, and other products or services

(e.g., software based applications for market quotes and news; database programs providing timely portfolio company and industry data; and daily access to broker/analyst recommendations) that provide lawful and appropriate assistance to the Firm in the performance of its investment decision-making responsibilities.

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

The Firm’s consideration of the value of research services or products is done in a manner that satisfies the requirements of the safe harbor provided in Section 28(e) of the Exchange Act.

#### **C. Trade Aggregation**

Sales of public securities are generally allocated on a pro rata basis among the participating Fund accounts. When a security is sold, the allocation will be prepared on an aggregate basis so that each account participating in the block order will receive the average price for all transactions on a particular day. Adjustments to the allocation may be made to avoid de minimis allocations to Funds. In allocating transaction opportunities among the Funds, the Firm considers all relevant factors in order to ensure that allocations are equitable over time.

#### **D. Directed Brokerage and Fund Referrals**

The Firm does not allow its Funds to direct brokerage.

On occasion, the Firm’s executing broker, BTIG, may refer potential investors to the Firm. See further discussion of the potential conflicts of interest associated with this practice in Item 14.

### ***Item 13 - Review of Accounts***

#### **A. Frequency and Nature of Review**

Richard Blum, Peter Westley and Jessica Li are primarily responsible for monitoring all investments as members of the Blum Strategic Fund Investment Committee “(Strategic Investment Committee)”. The Strategic Investment Committee has authority to make investment decisions and approve new investments. The Blum Strategic Partners V Investment Committee (“Strategic V Investment Committee”) provides investment guidance for the

investment activity in Blum Strategic Partners V, L.P. The members of the Strategic V Investment Committee are Richard Blum, Peter Westley, Jessica Li and Dana LaForge, who is an independent advisory member of the committee. The members of the Firm's Management Committee, Richard Blum and Murray McCabe, supervise both Investment Committees. Each Fund account is reviewed by the Strategic Investment Committee or the Strategic V Investment Committee on at least a quarterly basis. Those reviews take into account such matters as asset allocation, cash management, the prospects of individual securities, changes in issuer earnings, industry outlook, market outlook and price levels.

Ms. Snater and her support personnel review Fund account activities and positions, and monitor Funds' accounts for financial and regulatory reporting relating to security positions. Reports regarding Fund account positions are also provided through BTIG.

## **B. Reports to Funds.**

Investors in each Fund receive unaudited financial statements as of quarter-end (first three quarters of the fiscal year) and the Fund's annual audited financial statements, a quarterly schedule of the investor's allocable share of the Fund's equity and of the Fund's activity on a year-to-date and inception-to-date basis; a listing of the Fund's securities holdings at the end of each quarter; and a quarterly narrative letter summarizing the Fund's activity for the quarter and current status of the Fund's investments. Each investor also receives relevant tax reporting information. Annual audit reports are provided in accordance with the Custody Rule. All of these reports are provided in writing.

Reports may be sent to a third party service provider, such as the investor's financial consultant, tax advisor or independent custodian, if requested to do so by the investor. Certain large investors in Funds may negotiate to receive more frequent or more detailed information about their investments, or certain special reports. As such, these investors will be privy to certain information regarding their investments that may not be available (or may be available at a later date) to other investors in those Funds.

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

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

## ***Item 14 - Fund Referrals and Other Compensation***

### **A. Economic Benefits Received from Non-Funds**

Please see Item 12 for information on the Firm's soft-dollar practices.

## **B. Referrals by Non-Supervised Persons.**

The Firm may receive referrals for potential investors in the Funds from its custodians, or other persons or entities that have business relationships with the Firm. While the Firm does not pay, directly or indirectly, compensation for these referrals, such referrals may create an incentive for the Firm to select these custodians or other persons or entities for future business.

### ***Item 15 - Custody***

The Firm is deemed to have custody of Funds and securities in the Funds because the Firm serves as both investment adviser and general partner or managing member to the Funds. The SEC's custody rule sets forth certain requirements for the safekeeping of client assets. Pursuant to the rule, the Firm has an independent accounting firm that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board ("PCAOB") and conducts an annual audit of the Funds and the audited financial statements are distributed to each investor in the Funds (or their independent representative) within 120 days of the fiscal year end of the Funds. In all cases, the Firm and its affiliates comply with the requirements of the Custody Rule, as applicable.

As required by the Custody Rule, the cash and securities in the Funds are maintained with a qualified custodian.

### ***Item 16 - Investment Discretion***

The Firm has full discretionary authority to select securities to be bought and sold for all of its Funds, pursuant to a grant of authority in each Fund's partnership or operating agreement. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives or investment guidelines for the particular Fund, which are contained in the Fund agreement.

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

Because of the different investment objectives and guidelines, as well as availability of cash, there may be differences among Funds in their invested positions and securities held. In certain cases, due to investment restrictions and agreements, the Firm may have an obligation to first offer an investment to one or more of the Funds before allocating it to other Funds, even if it would be appropriate for such other Funds.

### ***Item 17 - Voting Fund Securities***

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

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

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

Investors may obtain a copy of the Firm's Proxy Policies and Procedures and summary of the proxy votes cast by the Firm by contacting the Chief Compliance Officer, Karen Snater, at Blum Capital Partners, L.P., 909 Montgomery Street, Suite 400, San Francisco, CA 94133, by telephone at 1 415 434 1111, or by email to [ksnater@blumcapital.com](mailto:ksnater@blumcapital.com).

### ***Item 18 - Financial Information***

The Firm has no financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds. The Firm has not been the subject of a bankruptcy proceeding.

### ***Item 19 – Requirements for State-Registered Investment Advisers***

This Item is not applicable.