

PART 2A OF FORM ADV

FIRM BROCHURE

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This brochure (“Brochure”) provides information about the qualifications and business practices of Bluestone Investment Manager, LLC. If you have any questions about the contents of this Brochure, please call us at 703-462-5600. 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 securities authority, and references in this Brochure to Bluestone Investment Manager, LLC as a “registered investment adviser” are not intended to imply a certain level of skill or training.

Additional information about Bluestone Investment Manager, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov

ITEM 2 – MATERIAL CHANGES

Bluestone Investment Manager, LLC is required to identify and discuss any material changes made to this Brochure since the last annual update. Bluestone Investment Manager, LLC filed its initial Form ADV Part 2A on June 17, 2023. There are no material changes made in this filing.

Bluestone Investment Manager, LLC recommends that you read this Brochure in its entirety. If Bluestone Investment Manager, LLC makes any material changes to this Brochure, this Item will be revised to include a summary of such changes.

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ITEM 4 – ADVISORY BUSINESS

Bluestone Investment Manager, LLC (“BIM”), a Delaware limited liability company, is registering as a registered investment adviser. BIM maintains its principal office in McLean, Virginia.

BIM along with the related persons disclosed in ADV Part 1A is the management company for Bluestone, a private equity firm targeting lower middle-market (“LMM”) businesses within the defense and government services sectors. Bluestone was formed in 2011.

The principal owners of BIM are John Allen, and Bill Strang (collectively, the “Managing Partners”).

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

- Bluestone Investment Partners II, LP;
- Bluestone Investment Partners III, LP
- Bluestone Investment Partners III-A, LP

The following general partner entities are affiliated with BIM:

- Bluestone Investment GP II, LLC
- Bluestone Investment GP III, LP
- Bluestone Investment UGP III, LLC

(each, a “General Partner,” and collectively, together with any future affiliated general partner entities, the “General Partners,” and together with BIM and their affiliated entities “Bluestone”).

In certain cases, Bluestone has offered, and may in the future, offer to allow certain investors (including related persons of Bluestone) the ability to co-invest along with the Funds in certain Portfolio Companies. In certain cases Bluestone may form a co-investment vehicle to facilitate such investments (“Co-Investment Vehicle”). Such co-investments may or may not be subject to the fees described below in Item 5, or may be subject to different fee amounts and/or terms. Bluestone or the applicable general partner may offer co-investment opportunities to some investors and not others, at the discretion of the General Partner.

In the future, Bluestone may provide investment advisory services to other Funds.

The activities of each Fund are governed by a limited partnership agreement (each a “Fund Agreement”), that specifies the investment guidelines and investment restrictions applicable to each Fund.

Typically, an affiliate of BIM serves as general partner of each of the Funds (each a “General Partner”). Each General Partner is a related person of BIM. Bluestone, together with the General Partners, provides investment management and/or investment supervisory services. The General Partners and Funds retain Bluestone to provide investment management and advisory services. The General Partners retain management authority over the business and affairs of the Funds.

Bluestone offers investment advice solely with respect to the investments made by the Funds in Portfolio Companies. Such services consist of sourcing, and evaluating investment opportunities;

structuring, negotiating, and making investments on behalf of the Funds; managing and monitoring the performance of such Portfolio Companies; and exiting investments. Bluestone generally makes majority, control investments in lower middle-market (“LMM”) businesses within the defense and government services sectors. To date, all but one transaction in the Firm’s history has been a control investment.

Bluestone generally has broad and flexible investment authority with respect to the Funds. Each Fund’s investment objective and strategy is set forth in the respective Fund’s governing documents (“Governing Documents”). All investors in the Funds (“Investors”) are provided with a Fund Agreement and a confidential private placement memorandum prior to making an investment. Investors are urged to carefully review those documents prior to making an investment in the Fund.

Bluestone seeks investments for each Fund in accordance with the Fund’s investment objectives and strategy as set forth in the relevant Fund Agreement and confidential private placement memorandum. Certain investment limitations may be included in the Fund Agreements.

Bluestone and/or the General Partners have and may in the future enter into side letter agreements with certain Investors. Side letters are negotiated prior to the General Partners’ acceptance of the Investor’s subscription, and may establish rights that supplement, or alter the terms of, the applicable Fund Agreement. Pursuant to such side letters, certain Investors have rights which are not available to all other Investors (including, without limitation, most favored nations rights, advisory board representation, transparency rights, reporting rights, and co-investment rights).

Bluestone does not participate in wrap fee programs.

As of December, 31 2023, Bluestone’s regulatory assets under management were approximately \$307,567,007, all managed on a discretionary basis. Bluestone does not have any clients whose assets are managed on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Any new Fund launched by Bluestone may have materially different terms than those summarized below. The fees paid by the Funds are negotiable by Investors only prior to an investment in the Fund, at the discretion of the relevant General Partner. The General Partners have reduced and waived fees for certain Investors, including employees, officers, directors who are part of the General Partner.

Management Fees

Bluestone is generally compensated for its advisory services through asset-based management fees (“Management Fees”) of 2.0%, annually, of capital commitments of the investors of the relevant parallel Funds during the investment period. After the investment period, the Management Fee is 2% annually of the aggregate cost basis of the relevant Funds’ investments. The Management Fee is typically paid quarterly in advance.

Carried Interest

In addition, as described in more detail in Item 6 below, the applicable General Partner receives a performance allocation (commonly referred to as “Carried Interest”) in each Fund generally once all capital contributions plus a preferred return, when applicable, have been returned to the investors in the Fund (pursuant to the terms in each Fund Agreement).

In addition, Bluestone, its employees, officers, directors and/or its affiliates perform advisory, management and other services for portfolio companies or prospective portfolio companies. Bluestone and its affiliates have been, and will in the future be, compensated for such additional services which may include, but are not limited to transaction, commitment, break-up, syndication, guarantee, directors, officers, management, monitoring, advisory, and other fees paid by a portfolio company or prospective portfolio company (“Additional Services”). These fees are often substantial and are typically paid in cash but may be paid in kind (via securities of the portfolio company). Fees may be fixed or determined by another metric. Such fees are typically subject to the Management Fee offset discussed below, except with respect to certain carve-outs as detailed in the Governing Documents.

As set forth in the Fund Agreements, each set of parallel Funds pays all applicable fees, costs, expenses, liabilities and obligations relating to the Funds and/or their activities, business, portfolio companies or actual or potential investments, including with respect to any entities formed to effect the acquisition and/or holding of a portfolio company (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating or attributable to:

- (i) activities with respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases and/or research services), acquiring, bidding on, owning, managing, (including costs of conferences, training programs, meetings or other events for portfolio companies and their respective executives and/or other personnel) monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, the Fund’s portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any

- associated legal, financing, commitment, transaction or other costs payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence, software and service providers, consultants and similar professionals in connection therewith (including costs of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing));
- (ii) indebtedness of, or guarantees made by, the Fund, BIM, the General Partner or any “affiliated partner” on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee;
 - (iii) financing, commitment, origination and similar activities;
 - (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services;
 - (v) brokerage, sale, custodial, depository, local paying agent, trustee, record keeping, account, registered office and similar services, including any law, rule or regulation relating to the implementation thereof);
 - (vi) legal, accounting, research, auditing, technology, administration (including costs associated with any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services), recruiting portfolio company personnel (including headhunter fees, background checks and relocation costs), consulting (including consulting and retainer fees, salary and other compensation paid to, and benefits or personnel costs provided to or on behalf of, the Operations Group or any of its members, consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other consultants), tax and other professional services (including costs related to the establishment or maintenance of any such activities or services);
 - (vii) reverse breakup, termination and other similar arrangements;
 - (viii) insurance, including directors and officers liability, fidelity bond, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance (including costs related to any retention or deductibles and broker costs and commissions) and any consultants or other advisors utilized in the procurement, review, maintenance and analysis of insurance, and regulatory expenses;
 - (ix) filing, title, transfer, survey, registration and other similar activities;
 - (x) printing, communications, mailing, courier, marketing and publicity;
 - (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms or other communications with partners, any other administrative, compliance or regulatory filings or reports (including Form PF and Bureau of Economic Analysis Reports) or other information, including costs of any third-party service providers and professionals related to the foregoing;
 - (xii) compliance with any tax or financial account reporting regime, including FATCA, the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard and any similar laws, rules and regulations, including any costs of any third-party service providers and professionals related to the foregoing; (xiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, ledger systems, financial management and cybersecurity) or other

- administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the limited partners;
- (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs incurred in connection with FOIA);
 - (xiv) to the extent provided in the Fund Agreement or otherwise approved by the General Partner in its sole discretion, activities or proceedings of a Fund's limited partner advisory board (the "Advisory Board") (including any reasonable out-of-pocket costs incurred by representatives of the General Partner, the Advisory Board members, permitted observers and other Persons in attending or otherwise participating in meetings of the Advisory Board);
 - (xv) indemnification (including legal and any other costs incurred in connection with indemnifying any partner of the Fund or other person pursuant to the Fund Agreement or otherwise and advancing costs incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Fund Agreement), except as otherwise set forth in the Fund Agreement;
 - (xvi) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs of discovery related thereto and any judgment, other award or settlement entered into in connection therewith;
 - (xvii) any annual, periodic or special meeting of the partners and any other conference, meeting or webcast or other video conference with any partner(s) (in each case, including any costs associated with venue, set-up, room and board, dining, entertainment, gifts and mementos, honorarium, events, non-partner attendees or speakers and other meeting or conference-related costs), including attendees at such meetings that are not limited partners (including the General Partner, the Fund and their respective partners, members, officers, employees, affiliates, lenders, accountants, attorneys and other professionals and service providers), in each case to the extent incurred by the Fund, the General Partner or any other affiliate of the General Partner;
 - (xviii) except as otherwise determined by the General Partner in its sole discretion, any cost relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a partnership expense or organizational expense if it were incurred in connection with the Fund, any costs incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities and any other costs related to any structuring or restructuring of any Fund-related entity;
 - (xix) the structuring, restructuring, termination, liquidation, winding up or dissolution of the Fund and any persons or entities owned directly or indirectly by the Fund (including portfolio companies) and related entities;
 - (xx) defaults by partners in the payment of any capital contributions;
 - (xxi) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, any parallel investment vehicle, the General Partner, any general partner of a parallel investment vehicle, the general partner of the General Partner, BIM, any entities owned directly or indirectly by the Fund (including portfolio companies) and any alternative investment vehicle of the Fund or any parallel investment vehicle, including the preparation, distribution and implementation thereof;
 - (xxii) (A) compliance with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider costs related thereto,

related to the activities of the Fund (including any regulatory costs related to the General Partner or any of its affiliates incurred in connection with the operation of the Fund), and any costs related to compliance with any environmental, social or governance or other investment considerations and policies (including the Fund's investment guidelines, directives, limitations and similar considerations set forth in the Governing Documents, the Fund Agreement or any side letter or similar agreement) applicable to the Fund, the General Partner and/or any of their respective affiliates and/or

(B) the validation or other confirmation of any payments made to the Fund or the General Partner (including as a result of any anti-money laundering laws, rules or regulations);

- (xxiii) litigation or governmental inquiry, investigation or proceeding, including any costs of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such costs or amounts have been determined to be excluded from the indemnification provided for in the Fund Agreement;
- (xxiv) any consultants, experts or advisors engaged, including independent appraisers engaged in connection with the Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same person as one or more investment vehicles (other than the Fund) managed or controlled by the General Partner or any of its affiliates;
- (xxv) unreimbursed costs incurred in connection with any transfer or proposed transfer contemplated the Fund Agreement or any limited partner's name change, internal restructuring or change in trust, registered agent or custodian;
- (xxvi) any taxes, fees and other governmental charges levied against the Fund and all costs incurred in connection with any tax audit, inquiry, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by a partner) and any costs of or related to the tax representative of the Fund;
- (xxvii) distributions to the partners and other costs associated with the acquisition, holding and disposition of investments, including extraordinary expenses;
- (xxviii) unreimbursed and unpaid costs of the Operations Group or its members, employees or other persons or entities engaged by the Operations Group;
- (xxix) compliance or regulatory matters related to the Fund, except as otherwise set forth in the Fund Agreement, including compliance with the Fund Agreement and/or any side letter or similar agreement;
- (xxx) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the General Partner, BIM or any of their respective affiliates at any trade conference, including any applicable registration costs and exhibition, sponsorship or other presentation costs;
- (xxxi) any travel (including air travel, car or ride sharing services, other modes of transportation, meals, lodging and entertainment) and other meals and entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities;
- (xxxii) any of the items listed in clauses (i) - (xxxi) above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful and/or that may have been offered to co-investors (including co-investors' proportionate share of any expenses related to an investment or other opportunity not consummated);
- (xxxiii) any organizational expenses of the Funds;
- (xxxiv) any placement fees (which are generally subject to a management fee offset); and
- (xxxv) any other costs approved by the Advisory Board.

The above is just a general description and the expenses may vary from Fund to Fund and investors are encouraged to refer to the applicable Fund Agreements.

Bluestone believes transparency is an important element of a strong relationship with our investors.

Management Fees applicable to each Fund are paid quarterly in advance to Bluestone pursuant to the applicable Fund Agreement.

Neither Bluestone nor any of its Access Persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in Item 5 above, the General Partners receive performance-based compensation, also referred to as Carried Interest, from the Funds. In general, a Fund allocates a portion of its net profits to the applicable General Partner, subject to a preferred Fund return as described in the applicable Fund Agreement.

The possibility that a General Partner may receive Carried Interest creates a potential conflict of interest in that it may create an incentive to make investments that are riskier or more speculative than in the absence of such performance-based distributions, although Bluestone generally believes performance-based compensation better aligns the General Partners' interest with its Investors.. The tax law which applies to the applicable General Partner's Carried Interest may create an incentive for the applicable General Partner to cause a Fund to hold onto a capital asset (interest in a Portfolio Company) for longer than it otherwise would recommend to the applicable Fund than in the absence of such tax incentives.

Bluestone mitigates the potential for conflicts of interest that have or may arise as a result of the Funds' performance-based fees through adherence to the Fund Agreements which contain provisions regarding the allocation of investment opportunities among the Funds and to the investment strategy described in the Fund Agreements. The Fund Agreements stipulate pro-rata allocation of all Partnership fees and expenses. Bluestone allocates investment opportunities in a fair and equitable manner as detailed in the respective Fund Agreement. Bluestone, to the extent within its control, will not favor itself, the General Partners or another affiliate to the detriment of a Fund and will act in a manner that it reasonably believes over the long term is fair and equitable to all Funds. Pursuant to the details in the respective Fund Agreement(s), the relevant Fund advisory committee(s) will be consulted regarding allocations when there is a perceived conflict of interest. The Funds' investments are also regularly monitored for consistency with objectives, strategies, and target capacity. Please see Item 13 for more information regarding how Bluestone reviews client accounts.

ITEM 7 – TYPES OF CLIENTS

Bluestone provides investment advisory services to the Funds, described in Item 4, above. The Funds invest capital contributed to them by Investors that are accredited investors (as defined in Regulation D under the Securities Act of 1933) and qualified clients (as defined in Rule 205-3 of the Advisers Act).

Any new Fund launched by Bluestone may have different terms than those summarized above.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The following summarizes the methods of analysis and investment strategies used by Bluestone in formulating investment advice.

Bluestone seeks to identify lower middle-market businesses providing mission critical services within the defense and government services sector and applies its industry and operating experience to drive transformational growth. Bluestone primarily makes majority, control investments in LMM firms in the defense and government services industry. Bluestone anticipates holding investments in the range of three to five years and undertaking a sale effort when the company is well-positioned to attract potential buyers.

There can be no assurance that Bluestone will achieve its investment objectives or that the investment strategies employed by Bluestone and the Funds will be successful. Investing in securities involves a risk of loss the Investor should be prepared to bear.

An investment in the Funds involves a significant degree of risk. There can be no assurance that the Funds' targeted rate of return or return on investment will be achieved or that there will be any return of capital. The environment for private equity investments is increasingly competitive and an investor should only invest in the Funds if the investor can withstand the liquidity constraints of an investment in the Funds and a total loss of its investment.

No guarantee or representation is made that the Funds' investment programs will be successful. Please note that all references to Bluestone in this Item 8 shall include the General Partner. The following are some of the additional material risks associated with an investment in the Funds:

Future and Past Performance; Loss of Principal. The Fund consists of newly organized vehicles that have no prior operating history or track record. Accordingly, the Fund does not have performance history for a prospective investor to consider. In considering the prior performance information of the other investments made by one or more Principals, prospective investors should understand that an investment in the Fund does not represent an interest in any investment or investment portfolio of such prior investments. Information about the prior performance of such prior investments is not necessarily indicative, or a guarantee, of the Fund's future results and there can be no assurances that the Fund will achieve comparable results. A prospective investor should not rely on any expectation and there can be no assurance that the risk/return profile of an investment in the Fund will resemble that of such prior investments. A prospective investor should only invest in the Fund as part of an overall investment strategy, and only if such prospective investor is able to withstand a total loss of its investment in the Fund. The performance of the Principals' prior investments is not necessarily indicative, or a guarantee, of the Fund's future results. The Fund's investments may differ from previous investments made by the Principals in a number of respects, including, target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure and holding period. There can be no assurances that any targeted internal rate of return will be achieved. With respect to any of a Fund's investment, loss of principal is possible.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. To the extent that the Funds encounter significant competition for investments or

adverse government policy or action, returns to Limited Partners would be expected to decrease. In addition, it is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified and consummated. Regardless of the extent to which the commitments of the Limited Partners are invested (or drawn down to be invested), the Limited Partners will be required to bear Management Fees through the Funds during the investment period based on the entire amount of the Limited Partners' commitments and other expenses as set forth in the Fund Agreement.

Investment in Junior Securities. The securities in which the Funds invest and 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 a Fund's investment once made.

Illiquidity; Lack of Current Distributions. An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. A Fund's ability to dispose of investments may be limited for several reasons. In view of the limitations on liquidity, a Fund generally will not be able to return capital or realize gains, if any, on an investment in a privately-held entity until the partial or complete disposition of such entity. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including the Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded commitments.

Leveraged Investments; Borrowing. The Funds may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment, and the magnification of the risk of loss may be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), 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 by a Fund will also result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments, and is also subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) may restrict or otherwise discourage lending that results in companies carrying large amounts of debt. The use of leverage also often 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.

Co-Investments. The Funds may acquire interests in certain portfolio companies in cooperation with others through co-investment arrangements. The Funds' ability to exercise significant influence over management in these cooperative efforts will depend upon the nature of the co-investment arrangement. Such investments may, under certain circumstances, involve risks not otherwise present, including the possibility that the Funds' co-investor may not be able to satisfy its financial obligations, that such co-investor might at any time have economic or business interests or goals that are inconsistent with those of the Funds, and that such coinvestor may be in a position to take action contrary to the instructions or requests of the Fund or contrary to the Fund's policies.

or objectives. In addition, such arrangements are likely to involve additional restrictions on the resale of the Funds' interest in the portfolio company.

Fees from Portfolio Companies. The General Partner, BIM, the Principals or any of their respective employees or affiliates, subject to certain limitations, reserve the right to earn directors' fees, advisory fees, management fees, consulting fees, investment banking fees, monitoring fees, broker's and finder's fees, transaction fees, commitment, topping, break-up fees and litigation payments or equivalent compensation, from portfolio companies and from other persons or entities in connection with potential or actual portfolio investments and such fees shall be for the sole account of the General Partner, BIM, the Principals or any of their respective affiliates. Such fees have the potential to create a conflict of interest with respect to the role of the General Partner, BIM, the Principals or any of their respective employees or affiliates in connection with the Fund. Except for a Management Fee offset described in a respective Fund's Governing Documents, Limited Partners will receive no benefit from such fees.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the retail and manufacturing industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Bluestone or one of its service providers holding its financial or investor data, Bluestone, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Bluestone's policies.

General Economic and Market Conditions. The success of Bluestone's activities will be affected by general economic and market conditions, including but not limited to interest rates, inflation rates, economic uncertainty, availability of credit, credit defaults, changes in laws (including laws relating to taxation of the Clients' investments), trade barriers, currency exchange controls, energy prices, commodity prices, pandemics, national and international political circumstances (including government intervention in financial markets, wars, terrorist acts or security operations), natural disasters, and coordinated investor actions (e.g., rise of user boards influence on specific securities). These factors generally affect the level and volatility of securities prices and the liquidity of the Clients' investments. Volatility or illiquidity could impair the Clients' profitability or result in losses. Bluestone's Clients may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Risks Associated with the Defense and Government Services Marketplace. The Funds invest primarily in companies in the defense, intelligence and government services marketplace, which carries particular risks and uncertainties. These include, among others, the risks and uncertainties set forth below. These risks and uncertainties, together or separately, could adversely affect the performance of some or all of a Fund's portfolio companies and, accordingly, the performance of a Fund.

Competitive Bidding. Government contracts are generally awarded through a competitive bidding process. This adds uncertainty to the receipt of contracts and, in the case of a successful bid,

includes the potential for protests by disappointed bidders. Portfolio companies may not be able to win competitively awarded contracts. Furthermore, the process of bidding adds substantial time and effort in the preparation of bids that may ultimately be unsuccessful. This process also may limit portfolio companies' negotiating position in a given contract, potentially adding pricing pressure and causing more burdensome contract terms.

Heavy Competition. The defense and government services marketplace contains competent competitors and continual pressure on the government to cut costs and complete more activities internally, thereby limiting opportunities for contractors. As a result, the marketplace is highly competitive.

Political Change. The availability and terms of contracts are subject to changes in the identity or views of political leaders. New elections or changing political considerations may change the perspectives and priorities the government customer, potentially resulting in a diminished market for contracts or less favorable contract terms.

Economic Change. Changes in the economic environment may influence the government customer to restrict contracts. These changes can include, for instance, falling tax revenues or expanding budget deficits. These changes can similarly result in a diminished market for contracts or less favorable contract terms.

Change in Laws, Regulations, and Related Areas. The laws, regulations, practices, and policies in the government procurement sphere and related spheres are subject to change because of a variety of factors, including the political and economic factors noted immediately above. These changes can alter the cost structure of contracts, the burdens on contractors and the companies able to compete for contracts, among other consequences.

Government Shutdowns. Many companies, including prospective portfolio companies, depend heavily on the U.S. federal government. In the past, failures to pass legislation to fund government operations and agencies have resulted in the federal government shutting down. Each cessation of government activity sends shockwaves through business, economic, political and regulatory regimes, and any future shutdown could have a dramatic impact on the Fund and on its portfolio companies. For example, a government customer may not have available funds to make payments on a contract with a portfolio company or may reduce its spending overall and consume less of the product or service offered by a portfolio company.

Unique Contract Terms. Government contracts are subject to laws and regulations that give the government rights and remedies that are not typically found in commercial contracts. As a result, contracts of portfolio companies may be subject to provisions allowing the government to terminate for convenience, terminate for default, reduce or modify contracts or subcontracts, cancel multi-year contracts and related orders if funding availability changes, decline to exercise an option to renew a multi-year contract, require competition for renewal for a contract with an expired initial term, claim rights in products and systems produced by portfolio companies and limit the export of certain portfolio company products.

Variance in Contract Type. Government contracts have pricing structures, such as fixed-price, cost-reimbursement and time-and-material. This arrangement can cause variance in the earnings of contractors, including by limiting potential receipts from contracts.

Investments in Companies in the 8(a) Business Development Program or other Set-Aside Programs. Companies that qualify for the United States Small Business Administration 8(a)

Business Development Program, or other set-aside government programs (e.g., service-disabled veteran-owned, small business, HUBZone, minority-owned) have certain advantages when bidding for certain government contracts. However, if the Fund decides to invest in any such company, the prospective portfolio company could lose its qualifications under such programs, and as a result the portfolio company (including the Fund's underlying investment) could suffer. For example, the portfolio company may lose contracts which require such portfolio company to maintain its status in such programs, thereby reducing overall revenue.

Dependence on Teaming Partners. Government contractors, including potential portfolio companies, regularly team with other companies to fulfill government contract obligations (including in the role of prime contractor or subcontractor). As a result, these companies must rely on the performance of their partners. To the extent this performance is deficient or the teaming partners are involved in disputes with the government contract, portfolio companies' ability to fulfill their obligations and receive compensation may suffer.

Audits/Investigations. Government entities may undertake audits or investigations of contracts, including of contract costs and practices of the contractor. These audits and investigations can, in certain circumstances, result in certain past costs being deemed to be non-reimbursable and prospective costs to be non-fundable, in addition to penalties, fines, sanctions, terminations, forfeited profits and suspension or debarment.

Higher Visibility. Government contracts can be subject to public scrutiny and publicity. Some of this scrutiny and publicity can be negative, such as in the case of disputes with the government or government allegations of impropriety, which might be leveled against portfolio companies, their employees or their business partners. Such negative visibility can harm portfolio companies' reputations and future competitiveness in getting contracts.

Requirement of Security and Facility Clearances. Government contracts that potential portfolio companies will pursue may require the portfolio company to maintain certain facilities clearances, and may require their employees servicing the contracts will likewise be required to maintain various levels of security clearance. Obtaining and maintaining security clearances for employees and facilities clearances for portfolio companies is a lengthy and expensive process, and losing any such clearance could be detrimental to the success of the portfolio company. As such, it may be difficult to identify, recruit and retain employees with pre-existing security clearances.

Security Threats. Government contractors, especially companies in the defense sector, are subject to threats to their information technology and unlawful attempts to gain access to information that may be proprietary to such companies. Compromise of this technology or this information can materially adverse the performance of such companies. Furthermore, contractors in the defense sphere regularly have their products and, in some instances, employees, in circumstances where there is the threat of physical danger. It is not possible for companies to protect against or to obtain coverage to insure against all such dangers.

Compliance with U.S. Legislation and Regulation Related to Foreign Investments Could Limit Investment Opportunities. The U.S. Department of the Treasury and the U.S. Department of Defense have an interest in monitoring certain transactions where a foreign interest has the power, direct or indirect, whether or not exercised, and whether or not exercisable, to direct or decide matters affecting the management or operations of a company in a manner which may result in unauthorized access to classified information or may adversely affect the performance of classified contracts. The Fund may accept certain commitments from Limited Partners that are domiciled outside of the United States, which could trigger increased Foreign Ownership, Control or Influence

(FOCI) scrutiny, and oversight from the Committee on Foreign Investment in the United States (CFIUS), and it could prove costly and time-consuming for the Fund or its portfolio companies to comply with such oversight and scrutiny.

Conflicts of Interest.

Bluestone 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, legal, management and other services to Funds and portfolio companies. Bluestone will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Bluestone conducting its activities, the interests of a Fund likely will conflict with the interests of Bluestone, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, Bluestone will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory boards of the participating Funds.

During the investment period of a Fund, all appropriate investment opportunities will be pursued by Bluestone principals through such Fund, subject to certain limited exceptions set forth in the Governing Documents and Bluestone's Allocation Policy. Without limitation, Bluestone principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. Bluestone personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. Bluestone's principals and Bluestone's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Bluestone principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Fund. Following the investment period of a Fund, Bluestone principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. To the extent an investment opportunity is received that is unsuitable for a Fund, in Bluestone's sole discretion, Bluestone and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the Governing Documents, Bluestone personnel are permitted to serve on boards or act in other roles unaffiliated with Bluestone, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles, none of which will offset or otherwise reduce Management Fees.

From time to time, Bluestone will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of Bluestone. In determining which investment vehicles should participate in such investment opportunities, Bluestone and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the Governing Documents, Bluestone is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of Bluestone in a portfolio company also have the potential to raise the risk of using assets of a client of Bluestone to support positions taken by other clients of Bluestone.

Bluestone must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Bluestone generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Governing Documents, as well as factors including, but not limited to, the respective Fund's available capital, each Fund's investment restrictions and objectives (including those set forth in the relevant fund's partnership agreement and other governing documents and side letters, where applicable), operating guidelines, strategy, capital structure, risk profile, time horizon, investment size, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure, size and nature of investment, anticipated duration/hold period and other relevant factors (including agreements with co-sponsors). For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund generally reserves the right to invest together with other Funds advised by an affiliate of Bluestone in the manner set forth in the Governing Documents and any allocation policy adopted by Bluestone from time to time. Bluestone will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with Bluestone's obligations and reserves the right to take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Bluestone reserves the right to offer co-investment opportunities to one or more potential co-investors, including other sponsors, market participants, vendors, finders, operating partners, Special Consultants (as defined below) and other service providers, Bluestone personnel and/or certain other persons associated with Bluestone and/or its affiliates, as determined by Bluestone in its sole discretion. Bluestone's procedures permit it to take into consideration a variety of factors in making such determinations, including, but not limited to: (i) the ability of a potential co-investor to react promptly to a co-investment opportunity; (ii) any strategic advantages that may result from a potential co-investor's participation in a co-investment opportunity; (iii) a potential co-investor's commitment to a Fund and/or commitment to one or more other Bluestone investment vehicles; (iv) the likelihood that a potential co-investor may invest in a future Bluestone Fund or other Bluestone investment vehicle; (v) the potential co-investor's investable assets relative to the size of the co-investment opportunity; (vi) tax, regulatory and/or securities law considerations (e.g., qualified purchaser or qualified institutional buyer status); (vii) confidentiality concerns that may arise in connection with providing the potential co-investor with specific information relating to the co-investment opportunity; (viii) whether the potential co-investor's participation in an investment opportunity may subject a Fund or its affiliates to legal, regulatory, reporting or other burdens or could impair the ability of Bluestone to execute the relevant transaction in the desired time or on desired terms; (ix) the size of the investment allocation and practicality of dividing it among multiple potential co-investors; (x) lender requirements; (xi) if the potential co-investor is a service provider of a Fund, Bluestone or their respective affiliates; and/or (xii) whether Bluestone believes that allocating investment opportunities to the potential co-investor will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Funds or Bluestone.

Furthermore, Bluestone or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and Bluestone expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund

because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons and (iii) co-investors' proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of a Fund's Governing Documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner's interest in limiting the Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. When and to the extent that employees and related persons of Bluestone and its affiliates make capital investments in or alongside certain Funds, Bluestone and its affiliates are subject to potentially 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.

Bluestone's allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While Bluestone will allocate investment opportunities in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which Bluestone expects to be subject, discussed herein, did not exist.

In certain cases, Bluestone will have the opportunity (but, subject to any applicable restrictions or procedures in the Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Bluestone will use its discretion to select such transferees based on eligibility and other factors, and unless required by the Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or

on the same terms. Bluestone and its affiliates reserve the right from time to time to express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Governing Documents, Bluestone will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, Bluestone expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by Bluestone or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Bluestone. The Funds are expected to have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, Bluestone and/or its affiliates typically have the right to appoint portfolio company board members (including current or former Bluestone personnel or persons serving at their request), 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 Bluestone and/or its affiliates. Except to the extent such amounts are subject to the Governing Documents' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to Bluestone.

Additionally, a portfolio company typically will reimburse Bluestone or service providers retained at Bluestone's discretion for expenses (including, without limitation, travel expenses) incurred by Bluestone or such service providers in connection with its performance of services for such portfolio company. This subjects Bluestone 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 over time is expected to be substantial. Bluestone determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

In connection with its services to the Funds and their investments, Bluestone, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Bluestone's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Bluestone and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors

and other metrics (collectively, “Bluestone Information”). In many cases, Bluestone Information will include tools, procedures and resources developed by Bluestone to organize or systematize Bluestone Information for ongoing or future use. Although Bluestone expects its Funds and their portfolio companies generally to benefit from Bluestone’s possession of Bluestone Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by Bluestone and its personnel) and not by the Fund or portfolio company from which Bluestone Information was originally received or derived. Bluestone Information will be the sole intellectual property of Bluestone and solely for the use of Bluestone. Bluestone reserves the right to use, share, license, sell or monetize Bluestone Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, “points,” “cash back,” rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

Bluestone generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) Bluestone or a related person of Bluestone (which may include a portfolio company of such Fund); (ii) an entity with which Bluestone or its affiliates or current or former members of their personnel has a relationship or from which Bluestone or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Bluestone personnel are seconded, or from which Bluestone receives secondees; or (iii) certain limited partners or their affiliates. For example, Bluestone reserves the right to be presented with opportunities to receive financing and/or other services in connection with a Fund’s investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects Bluestone to conflicts of interest, because, although Bluestone 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, Bluestone has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Bluestone, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Bluestone), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Bluestone will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although Bluestone generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Whether or not Bluestone 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.

In certain circumstances, current or former Bluestone personnel, special consultants and their respective affiliates reserve the right, from time to time, to serve as directors or interim executives of, or otherwise be associated with, companies that are competitors of portfolio companies of a Fund. In such cases, such personnel could be subject to fiduciary and other obligations to make

decisions that they believe to be in the best interests of the relevant companies. Although, in most cases involving a Fund's portfolio companies, the interests of a Fund and its portfolio companies would be expected to be aligned, this may not always be the case, particularly if portfolio companies are likely to be in financial difficulty. It would also be expected that the interests of a competitor company would not be aligned with those of a Fund or a Fund's portfolio companies. This has the potential to result in a conflict between the relevant individual's obligations to a portfolio company or competing company and the interests of a Fund. In some circumstances, having such individuals serve as directors or interim executives of a portfolio company of a Fund or another company (including, for these purposes, a portfolio company of another Fund) may restrict the ability of a Fund to invest directly in an investment opportunity that also constitutes an investment opportunity for such company.

Bluestone has created an operations group (the "Operations Group") comprised of persons retained or employed by Bluestone or any of its affiliates primarily to provide manufacturing, sales, marketing, business development, technology, human resources, acquisition integration/rationalization and/or other operations services, acquisition or other due diligence, or similar services to the Funds or any portfolio company or prospective portfolio company of the Fund. The Operations Group includes an advisory board of leaders in the defense and government services industries to advise the General Partners with respect to portfolio companies and prospective portfolio companies and other similar consultants. Any compensation, including retainers, fees, board fees, incentive equity or other stock awards, and any reimbursement of certain travel and other costs, received by Operations Group members may be paid by a portfolio company or prospective portfolio company (which payments do not offset any Management Fee) or directly by the Funds.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) employ or retain other companies and individuals ("Special Consultants"), which may be affiliates of the General Partner, employees of such affiliates, portfolio companies of other funds managed by the General Partner or its affiliates, third-party consultants (including members of the Operations Group, leaders in the defense and government services industry, consultants and external executives), "executive partners," "strategic partners" or "senior advisors." Special Consultants and other consultants (including consultants introduced or arranged by Bluestone and/or its affiliates that regularly provide services to one or more portfolio companies), and such amounts do not offset or reduce the Management Fee as described herein. Special Consultants generally make use of Bluestone resources or otherwise are associated with Bluestone. Special Consultants are expected from time to time to include former employees of Bluestone or certain portfolio companies, and in some circumstances former Special Consultants are expected to become Bluestone employees or employees of portfolio companies. Consequently, the determination of whether individuals are Special Consultants is expected to vary and/or be revisited from time to time, which poses potential conflicts of interest where certain changes in status or categorization would reduce costs that Bluestone otherwise would be required to bear. Special Consultants generally receive investment opportunities, reimbursements and other compensation that do not offset or reduce the Management Fee of any Fund, as described herein, and the use of Special Consultants is expected to fluctuate and/or expand over time. To the extent that Special Consultants are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Special Consultant's services at a time when fewer portfolio companies or Funds make use of such Special Consultant. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or written work product generated by the Special Consultant. Although the use of Special Consultants and the allocation of compensation paid to them by Bluestone, its

affiliates and/or the portfolio companies subjects Bluestone and/or its affiliates to potential conflicts of interest, Bluestone believes that such potential conflicts have the potential to be reduced by the anticipated 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 Special Consultant is lower than market rates for the services provided and/or if the services of the Special Consultant align with Bluestone's model for the portfolio company and improve portfolio company performance. Although Bluestone seeks to retain Special Consultants with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Bluestone also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Bluestone believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only Special Consultants and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, 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.

Bluestone reserves the right from time to time to cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by Bluestone, or co-investors or co-investment vehicles. Such transactions may arise in the context of automatic or other re-balancing of an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by a portfolio company acquired by another Fund. Certain of such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the Governing Documents or otherwise in the sole discretion of Bluestone, Bluestone reserves the right to obtain the consent of each fund's advisory board to such transactions. In certain circumstances, Bluestone reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction (including its value) to the Fund under then-current market conditions. Bluestone intends that any such transactions be conducted in a manner that it believes to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Although Bluestone expects to generally structure Funds to avoid circumstances in which one Fund ultimately bears liability for all or part of the obligations of another Fund or any Bluestone affiliate, in certain circumstances lenders and other market participants negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In such cases, Bluestone reserves the right to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements. In other circumstances, lenders and other market parties are expected to seek "cross default" rights under which a Fund will be treated as in default under the relevant facility in the event of a default by another Fund or an Bluestone affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, a Fund's limited partners could suffer adverse effects resulting from any default by any Fund or an Bluestone affiliate, whether or not related to the Fund in which such limited partners have invested.

Bluestone and/or its affiliates reserve the right to employ or engage personnel with pre-existing

ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Bluestone and/or its affiliates; conversely, former personnel or executives of Bluestone and/or its affiliates are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by Bluestone. Similarly, Bluestone, its affiliates and/or personnel maintain relationships with (or invest in) financial institutions, service providers and other market participants, including, but not limited to, managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. 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, Bluestone and/or its affiliates and/or the Funds or other investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Bluestone entities, whether or not relating to financing Bluestone personnel obligations to fund General Partner commitment obligations) to Bluestone personnel and their estate planning vehicles. Bluestone expects to be subject to a potential 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 Bluestone information about markets and industries in which Bluestone operates (or is contemplating operations) or will provide other services that are beneficial to Bluestone or one or more other Funds. Bluestone expects to be subject to a potential conflict of interest in making such recommendations, in that Bluestone 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 a Fund or its portfolio companies.

Bluestone, its affiliates, and equity holders, officers, principals and employees of Bluestone and its affiliates reserve the right to buy or sell securities or other instruments that Bluestone has recommended to a Fund. Any such transactions are subject to any restrictions in the Governing Documents and any related policies and procedures set forth in Bluestone's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Bluestone reserve the right to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expect to have additional potential conflicting interests in connection with these investments.

A Fund's General Partner generally is permitted to receive a distribution in kind from the Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the General Partner as carried interest (which generally will be made using the value of the relevant securities on the date of contribution). In such circumstances, there is a potential conflict of interest between the General Partner (and its beneficial owners) and the relevant Fund's limited partners. For example, the General Partner and its beneficial owners may intend to hold the investment for a different time period than Bluestone deems suitable for the Fund. Although the General Partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Fund's disposition thereof, neither the relevant Fund nor its limited partners will benefit from the increase, and over time the economic benefit to the General Partner and its beneficial owners could exceed the value of the General Partner's *pro rata* interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of the General Partner contribute such securities to a charity (including

to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Fund or its limited partners.

Except to the extent prohibited by the Governing Documents, Bluestone and its personnel reserve the right to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Governing Documents and anti-“assignment” provisions of the Advisers Act, Bluestone and its personnel are also permitted to offer, restructure and monetize interests in Bluestone.

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 creates an incentive to deploy capital when Bluestone may not otherwise have done so.

Since Bluestone is permitted to retain certain fees for Additional Services (as described under “Fees and Compensation”) in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, such fees are based on enterprise value or other metrics relating to a portfolio company, and there can be no assurance that the amount of fees charged for Additional Services will be proportional to the amount of hours of work performed on behalf of the portfolio company. Additionally, Bluestone, its personnel, affiliates or others designated by Bluestone reserve the right to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the Governing Documents are applied, Bluestone and/or such other recipients will be permitted to retain such securities as fees for Additional Services, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or Bluestone) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund. In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund's relative ownership of the portfolio company awarding such compensation.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, Bluestone reserves the right to accrue, defer or forego payments of fees for Additional Services. In such cases, in accordance with the Governing Documents, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

Bluestone and/or its affiliates expect to enter into side letters or other similar agreements (“Side Letters”) with certain investors in a Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of Bluestone's compensation, none of which generally will be subject to the “most-favored nation” provisions of a Fund's Governing Documents), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's

advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, as well as economic, procedural and other terms.

Bluestone is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners, *e.g.*, based on commitment amount to a Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to Bluestone, its affiliates and personnel or the Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to Bluestone, its affiliates and personnel, or the Funds. Further, Side Letters may also relate to strategic relationships under which an investor agrees to make commitments to multiple Funds. Except where required by Governing Documents, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, Bluestone, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. Side Letters subject Bluestone to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's advisory committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other Side Letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Fund or of limited partners as a whole, including in the event that a Side Letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Fund.

As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event a limited partner defaults on a drawdown in respect of an investment. Although Bluestone believes it to be unlikely, excuse or other rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Fund have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the relevant Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Governing Documents; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, *e.g.*, based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Fund.

From time to time, portfolio companies owned by a Fund may be given the option to participate with other portfolio companies in purchasing, vendor, or similar arrangements whereby they may receive discounts negotiated with various vendors and service providers on a group-wide basis. Bluestone, the Funds, and/or their affiliates may also participate in such arrangements and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts will result in additional offsets to the Management Fee. Bluestone believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies, which is expected to be to the benefit of the Funds as a result of receiving discounted

rates for goods and services relative to those widely available in the market.

The relevant liability standards under insurance coverage procured by Bluestone are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the Governing Documents. Investors generally will be responsible for insurance premiums, as set forth in the Governing Documents, regardless of whether the liability and/or indemnity standards in Bluestone's insurance coverage are higher or lower than that set forth in the Governing Documents.

Any of these situations subjects Bluestone and/or its affiliates to potential conflicts of interest. Bluestone attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Bluestone's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a manner it believes to be fair and equitable to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, Bluestone will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Bluestone consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

Investors and prospective investors are provided with offering documents that contains a detailed description of the material risks related to an investment in a Fund, and are advised to carefully review all risk factors set forth in the relevant offering documents.

ITEM 9 – DISCIPLINARY INFORMATION

Bluestone is required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of Bluestone or the integrity of Bluestone's management. Bluestone has no legal or disciplinary information to disclose at this time.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither Bluestone nor its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Bluestone nor its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Affiliates of Bluestone serve as the General Partner of each of the Funds. Each of the General Partners is a related person of Bluestone. Bluestone together with the General Partners, provides investment management and/or investment supervisory services. Each of the General Partners and Funds retain Bluestone to provide investment management and advisory services. The General Partners retain management authority over the business and affairs of the Funds. As described in Item 6, the General Partners are entitled to receive performance-based fees from the Funds, which may in certain circumstances create a conflict of interest, as described in Item 6 above.

As described elsewhere in this Brochure, Bluestone seeks to make significant investments in portfolio companies with board representation and customary shareholder rights. As such, Bluestone's management persons have management roles with portfolio companies. Certain of the Principals serve, and may in the future serve, on the board of directors of such portfolio companies. Please see Item 8 for a description of the related conflict of interest. Bluestone has mitigated this conflict of interest through disclosure in the private placement memorandum and in this Brochure.

Bluestone does not recommend or select other investment advisers for its clients.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Bluestone's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 under the Advisers Act. The Code applies to Bluestone's "Access Persons." Access Persons include any member, officer or director of Bluestone and employee of Bluestone who, in relation to the Funds: (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings; or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. In addition, certain other individuals, such as temporary employees may also be deemed to be Access Persons by the Chief Compliance Officer.

The Code sets forth a standard of business conduct that takes into account Bluestone's status as a fiduciary to the Funds and requires Access Persons to place the interests of the Funds above their own interests and the interests of Bluestone. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Bluestone's Chief Compliance Officer. All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal securities trading by Access Persons. Access Persons must provide Bluestone's Chief Compliance Officer with a list of their personal securities accounts and an initial holdings report listing the holdings of such personal accounts within 10 days of becoming an Access Person. In addition, Bluestone's Access Persons must provide annual holdings reports and quarterly transaction reports detailing, respectively, the holdings and quarterly transactions in their personal accounts in accordance with Advisers Act Rule 204A-1.

The Code also describes Bluestone's duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) advisory clients. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, Access Persons who possess material non-public information about a public company must not trade in the public securities affected by such information, must not disclose such information to anyone who does not have a legitimate need to know it and must immediately disclose such information to the Chief Compliance Officer.

Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer of Bluestone at cwetzels@bluestoneinv.com.

The General Partners, which are owned in part by the Managing Partners, and are related persons of Bluestone, serve as the general partners to the Funds. The General Partners also commit capital to the Funds, and as a result every investment made by a Fund involves a purchase of securities whereby related persons of Bluestone acquire an indirect interest in such securities. Bluestone's Principals and Access Persons also maintain investments directly in certain of the Funds. The fact that Bluestone's Principals, General Partners, and Access Persons have financial interests in the Funds could create a potential conflict in that it could cause Bluestone to make different investment decisions than if such parties did not have such financial ownership interests. However, Bluestone believes that these financial interests align Bluestone's and the General Partners' incentives with that of investors.

In certain cases Bluestone or an affiliate, may receive certain directors' or consulting fees, advisory fees, transaction fees, break-up fees or other similar fees in connection with the Funds' investments in portfolio companies. Payment of such fees may create a conflict of interest because it could create an incentive for Bluestone, or an affiliate, to cause a Fund to invest its capital in a company that will pay such a fee. To mitigate such conflict, a portion of such fees are offset against management fees otherwise payable to Bluestone by Funds that hold an investment in such portfolio companies pursuant to the applicable Fund Agreement.

As noted in Item 6 above, performance-based compensation, also referred to as Carried Interest, may create an incentive for Bluestone or the General Partners to make investments that are riskier or more speculative than in the absence of such performance-based compensation.

Bluestone, or an affiliate, may offer the opportunity to co-invest in one or more portfolio companies of any Fund to private investors or other third-parties. However, participation in coinvestment opportunities either directly or through participation in a co-investment vehicle may not be offered to all investors. To the extent such opportunities are offered it will be in compliance with the applicable Fund Agreements.

Bluestone seeks to address the above conflicts through regular monitoring of the Funds' portfolios for consistency with objectives, strategies, and target capacity. Further, the Principals carefully consider the risks involved in any investments and Bluestone provides extensive disclosure to investors regarding the potential risks that come with an investment with Bluestone. As stated in Item 11 the Code provides guidelines for identifying and addressing conflicts of interest and requires Access Persons to place the interests of the Funds over their own or those of Bluestone, and all Access Persons are required to acknowledge their receipt and understanding of the Code.

Bluestone's Access Persons are permitted to make certain securities transactions in their personal accounts. However, Access Persons are prohibited from investing in portfolio companies outside of their indirect interest through a Fund or General Partner.

Bluestone does not intend that the Funds will participate in "principal transactions" or agency cross trades. Cross trades between the Funds may occur but Bluestone does not plan on doing so on a regular basis. Any cross trades will be reviewed to ensure all participating Funds are equitably and fairly treated and that only such trade is done in accordance with the Fund Agreement.

Bluestone enforces the foregoing policy and manages the potential conflicts of interest inherent in Access Person personal trading by enforcement of its Code, which contains pre-clearance and reporting guidelines for Access Persons.

Bluestone requires that Access Person's transactions in certain "reportable securities" (as defined in Section 202(a)(18) of the Advisers Act) be pre-cleared with the Chief Compliance Officer. Further details are available in the Code which is available to investors upon request.

Bluestone maintains a "Restricted List" with the names of issuers of public securities about which Bluestone or its affiliates (including Access Persons) have material, non-public information. Access Persons are prohibited from trading securities on the Restricted List.

In addition, Bluestone receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer reviews Access Persons' personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

ITEM 12 – BROKERAGE PRACTICES

Bluestone causes the Funds to invest in private transactions that are not executed on an exchange and thus Bluestone generally does not utilize public securities brokers. Notwithstanding the above, in the future, Bluestone may utilize brokers and investment banks in connection with the purchase and sale of Portfolio Companies.

In the event that Bluestone's business were to evolve such that the Funds were to regularly execute transactions through a broker-dealer, then Bluestone would adopt policies and procedures reflective of its duty to execute trades in publicly-traded securities in a manner designed to seek best execution. To the extent Bluestone does utilize brokers in the future, Bluestone need not solicit competitive bids and would not have an obligation to seek the lowest available commission or other transaction cost.

Bluestone does not utilize "soft dollars."

As a general matter, Bluestone invests in private transactions that are not executed on an exchange and does not utilize brokers. Bluestone does not permit clients to direct brokerage.

Upon determination to buy or sell the same portfolio company security on behalf of more than one Fund (based upon the investment mandates and available capital of such Funds, such as parallel Funds), Bluestone will generally aggregate investments. The private company securities which are the primary investments by the Funds are generally purchased in private transactions, and thus a purchase or sale transaction by multiple Funds will generally be consummated simultaneously. However, there could be circumstances in which the liquidity, partnership terms or other considerations require the purchase or sale of portfolio company securities by Funds at different times. In such cases, Bluestone will seek to act in a fair and equitable manner with regard to all participating Funds and to take into account the investment objectives and results of each Fund. Notwithstanding the foregoing, the purchase or sale of portfolio company securities by different Funds at different times could result in increased transaction costs and different investment results for such Funds and their investors. Bluestone recognizes that, as a fiduciary, it has a duty to allocate investment opportunities among its advisory clients in a fair and equitable manner. The parallel Funds have overlapping investment programs and may participate in the same investments. If Bluestone determines that it would be appropriate for more than one Fund to participate in an investment opportunity, Bluestone will seek to allocate the investment opportunity to all of the participating Funds on a fair and equitable basis. Please see Item 6 for more information on how Bluestone controls for conflicts of interest when making investment allocation decisions.

ITEM 13 – REVIEW OF ACCOUNTS

Bluestone's client accounts are under periodic review by the Managing Partners or other investment professionals of Bluestone. Such reviews include a review of investment policy, the suitability of the investments used to meet policy objectives, and investment objectives.

Investors in the Funds generally receive quarterly reports after the close of each of the first three calendar quarters, which include quarterly unaudited financial statements of the Fund, a summary of acquisitions and dispositions of the investments of the Funds and a list of investments then held. Annually, Investors will receive an annual financial report audited by an independent public accountant, information regarding the relevant Fund necessary for the completion of each Investor's tax return, and a list of investments then held by the relevant Fund.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Bluestone does not receive economic benefits from non-clients for providing investment advice and other advisory services.

Bluestone reserves the right from time to time to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. These arrangements generally are disclosed in the relevant Fund's Form D. Any fees payable to any such placement agents generally will be borne by Bluestone indirectly through an offset against the management fee under the Fund's governing documents, 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).

ITEM 15 – CUSTODY

Pursuant to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), Bluestone is deemed to have custody of the assets held by the Funds because affiliates of Bluestone serve as the general partners or managing members of the Funds.

To ensure compliance with the Custody Rule, Bluestone ensures that the Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”) and that the audited financial statements of each Fund will be prepared in accordance with generally accepted accounting principles and distributed to Investors within 120 days of the end of each Fund’s fiscal year. Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by Bluestone.

As Bluestone’s investment program primarily involves investments in privately offered securities, Bluestone generally will be exempt from the requirement that securities be maintained with a “qualified custodian.” Bluestone anticipates that many of its investments will involve securities that are (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated, and ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and (iii) transferable only with prior consent of the issuer or holders of the issuer’s outstanding securities.

To the extent that Bluestone holds any publicly traded securities or securities which are otherwise ineligible for an exemption from qualified custodian requirement of the Custody Rule, Bluestone will maintain such securities with a qualified custodian in an account in the name of the Fund or in accounts that contain only funds and securities owned by the Funds, under Bluestone’s name as agent or trustee for the Funds.

ITEM 16 – INVESTMENT DISCRETION

Bluestone has discretionary authority to manage securities accounts on behalf of its clients. Bluestone is authorized to make transaction recommendations for the Funds. As explained in Item 4 above, each Fund's investment strategy is set forth in detail in such Fund's offering documents and Fund Agreement. Investors do not have the ability to impose limitations on Bluestone's discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Such subscription agreement also includes a limited power of attorney.

ITEM 17 – VOTING CLIENT SECURITIES

Bluestone understands and appreciates the importance of proxy voting. Bluestone has adopted proxy voting policies and procedures that are designed to ensure that when Bluestone or a General Partner votes a proxy with respect to securities held on behalf of Funds, such proxies are voted in the Funds' best interests, in the judgment of Bluestone to the extent reasonably practicable. The procedures also require that Bluestone identify and address conflicts of interest. If a material conflict of interest is identified, Bluestone will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interests of its Funds or whether taking some other action may be more appropriate.

It should be noted that given Bluestone's business focuses on investing in private companies, it is anticipated that it will be extremely rare that Bluestone will receive proxies with respect to securities held on behalf of Funds. However, there are situations where private companies could have proxy issues (e.g. a private company needs approval of investors to make changes to board of directors, auditors, etc.). In such situations, Bluestone or a General Partner would have authority to vote proxies on behalf of Funds. In such cases, each proxy voting proposal received by a Fund is thoroughly reviewed in order to ensure that each such vote is voted in the best interests of the Fund holding the applicable securities.

If a material conflict is identified, Bluestone will determine what course of action is in the best interests of the affected Investors (which may include utilizing an independent third party to vote such proxies). Further, Bluestone will determine whether it is appropriate to disclose the conflict to affected Investors and give such Investors the opportunity to vote the proxies in question themselves.

The Chief Compliance Officer or her designee delivers proxies in accordance with instructions related to such proxy. Bluestone keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and Bluestone's response for the previous five years.

Investors generally do not have the ability to direct proxy votes. Investors may obtain additional information regarding how Bluestone voted proxies and may obtain a copy of Bluestone's proxy voting policies and procedures by contacting the Chief Compliance Officer.

ITEM 18 – FINANCIAL INFORMATION

Bluestone and its affiliates do not require or solicit prepayment of advisory fees six months in advance.

Bluestone is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Funds or Investors.

Bluestone has not been the subject of any such bankruptcy petition.