

# BHR CAPITAL LLC

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**This brochure provides information about the qualifications and business practices of BHR Capital LLC (“BHRC”). If you have any questions about the contents of this brochure, please contact us at (212) 378-0830 or [jstout@bhrcap.com](mailto:jstout@bhrcap.com). 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.**

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

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT BHRC OR ANY PRINCIPALS OR EMPLOYEES OF BHRC POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY BUSINESS OR ANY OTHER BUSINESS.

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### **Supplement: Biographies of Key Personnel**

## **Advisory Business**

BHRC is a limited liability company organized under the laws of Delaware in October, 2009. The principal owners of BHRC are John D. Stout, Michael N. Thompson, Steven A. Van Dyke, EBB Holdings LLC, which is a family partnership for the benefit of William J. and Elichia M. Brown, and NAR Irrevocable Trust, which is a trust for the benefit of related persons of Neil Ramsey. BHRC provides discretionary investment advisory services focusing on a value-based approach, including event-driven and special situation investments.

BHRC is generally granted broad investment authority with respect to the management of the accounts of its clients. All accounts are managed based on BHRC's expertise in event-driven and special situations investments. BHRC seeks to maximize total return through investment primarily in U.S. publicly and privately-traded debt and equity securities, loans, credit default swaps and other derivatives, including investments in distressed and bankrupt companies.

BHRC ordinarily provides investment advisory services based on the investment objectives, risk profile, financial situation and cash flow needs of each client, as reflected by the investment management agreement that BHRC enters into with each client, or in any other governing documents that may apply to each account. BHRC may agree in the investment management agreement with each client to investment restrictions or guidelines with respect to the types or amounts of securities or other financial instruments that may be purchased or sold for the client's account. BHRC may pursue different investment strategies for different clients.

As of March 1, 2011, BHRC provides discretionary investment advisory services to certain private investment funds (the "BHRC Funds") with aggregate net assets of \$993,653,899 and investment advisory services with limited discretion to certain managed accounts with aggregate net assets of \$125,157,085. BHRC may in the future provide advisory services, either on a discretionary or non-discretionary basis, to other funds or managed accounts on behalf of clients. BHRC does not participate in any wrap fee programs.

## **Fees and Compensation**

Clients and investors in the BHRC Funds are typically charged an annual management fee equal to a percentage of net assets, payable each quarter in advance, and an annual performance fee or allocation equal to a percentage of the amount by which the net value of each account as of the end of each calendar year exceeds the net value of the account as of the beginning of the year.

The management fee is usually deducted directly from the assets of each account as such fees become payable, which is generally quarterly in advance. The performance allocation is payable annually in arrears, or upon termination of a client account or withdrawal of capital from any BHRC Fund.

The clients of BHRC are responsible for all costs and expenses incurred in connection with the investments in their accounts, including brokerage commissions; clearing fees; fees, interest and other costs in connection with margin accounts or other borrowings; borrowing charges on securities sold short; custodial fees; bank service fees; costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by BHRC in connection with specific investments (including transactions that fail to close); costs of research and data services; and any legal fees and costs arising in connection with any litigation or regulatory investigation instituted against BHRC or any client. The BHRC Funds also pay all of their operating costs, including administration, legal, accounting, auditing and insurance costs and expenses, as described in greater detail in the offering materials for each BHRC Fund. For additional information about brokerage expenses, see “Brokerage Practices” below.

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

BHRC, or an affiliate of BHRC, ordinarily receives a performance-based fee or a special allocation of profits from each of its clients as described above under “Fees and Compensation.” Different client accounts may be subject to different performance-based compensation arrangements. If BHRC is entitled to receive a higher percentage of the net profits of the account of one client than the percentage that BHRC receives from another client, then BHRC may have an incentive to favor, or to allocate certain riskier or more speculative investments to the client that is subject to the higher percentage.

BHRC will, as a policy, allocate all investment opportunities among its clients in a manner that it considers fair and equitable to all clients, considering all factors potentially applicable to each client. Among the factors that may be considered by BHRC in allocating trades among client accounts are: investment policies, guidelines or restrictions applicable to each specific client; tax considerations; actual and targeted cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; account size; benchmark sector weightings; industry and security weightings; and hedging objectives and activity.

### **Types of Clients**

BHRC provides advice to the BHRC Funds and may provide advice to separate account clients. See “Advisory Business” above. BHRC generally requires a minimum commitment of \$250,000,000 for individually managed accounts. The BHRC Funds also have minimum investment amounts, as described in the offering materials for each BHRC Fund, subject to waiver or modification at the discretion of BHRC or the board of directors of the relevant BHRC Fund. In particular, each investor in each of the BHRC Funds generally must be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”).

## Methods of Analysis, Investment Strategies and Risk of Loss

BHRC invests primarily in event-driven and special situation investments on behalf of its clients. BHRC monitors and analyzes U.S. public and private credit and equity markets, real estate markets, derivatives markets and commodities markets, and considers macroeconomic factors to assess the current state of each market within a broader economic cycle.

BHRC may cause its clients to invest in debt and equity securities, loans and other financial instruments, and focuses on special situations where certain catalysts are expected to unlock value, for example bankruptcies and covenant breaches, as well as through extensive research of industries, especially those in distress or undergoing either secular shifts or consolidation. BHRC's principal sources of information include quarterly and annual reports, personal interviews with directors and officers of portfolio companies, visits to portfolio companies, SEC and other public filings, general industry knowledge, and contacts with other participants in the relevant industry and financial markets.

Although event-driven and special situation investments may result in significant returns to the clients of BHRC, they also involve a substantial degree of risk. Investors in the BHRC Funds should refer to the Governing Documents of the applicable BHRC Fund for more complete information on investment strategies employed by the BHRC Fund and the corresponding risks associated with such investment strategies. BHRC generally accepts only clients that are able to bear the financial risk of the investment strategy for an indefinite period of time and are able to sustain the loss of all or a significant part of their investment.

The investment strategy employed by BHRC on behalf of its clients involves significant risks. The following summary of certain risks does not purport to be complete, but includes some of the potential risks generally associated with the BHRC investment strategy:

**High Risk Investments.** BHRC may invest on behalf of its clients in debt and equity securities, loans and other financial instruments and obligations of highly leveraged and financially troubled companies, including companies involved in bankruptcy, reorganization and liquidation proceedings. Although such investments may result in significant returns to investors, they involve a substantial degree of risk. Any one or all of the issuers of the securities or other instruments in which a BHRC client may invest may be unsuccessful or not show any return for a considerable period of time. It may be difficult to obtain information as to the true financial condition of entities experiencing significant financial or business difficulties. Investments in distressed companies also may be adversely affected by state and federal laws relating to fraudulent conveyances, voidable preferences, lender liability and the bankruptcy courts' discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of instruments issued by distressed companies may be subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and ask prices of such instruments may be greater than normally expected. It may take a

number of years for the market prices of such securities to reflect their intrinsic values. Some securities may not be widely traded, and a BHRC client's positions in such securities may be substantial in relation to the market for such securities. Funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. Investments in distressed securities made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may involve substantial litigation.

***Use of Leverage.*** BHRC may cause its clients to borrow money from banks and other entities, including borrowing money through margin facilities at one or more broker/dealers. To the extent that a BHRC client uses leverage, any decrease or increase in the value of a portfolio will tend to be at a greater rate than if borrowed money was not used. Changes in the general level of interest rates may also adversely affect investment results.

***Concentration of Investments.*** BHRC may concentrate investments on behalf of its clients in a relatively small number of securities positions. As a result, a loss in any one position could have a materially adverse effect on an entire portfolio.

***Long Positions.*** The success of long positions depends in large part on BHRC's ability to accurately assess the fundamental value of those positions. An accurate assessment of fundamental value depends on a complex analysis of a number of financial and legal factors. No assurance can be given that BHRC will be able to assess the nature and magnitude of all material factors having a bearing on the value of long positions, or that BHRC will accurately assess the impact of all factors of which it is aware.

***Short Selling.*** BHRC may sell securities short on behalf of its clients. Selling short involves the sale of borrowed securities. In order to sell a security short, the investor must borrow the security from a securities lender and deliver it to the buyer. The investor is then obligated to return the security to the lender at its request. BHRC will ordinarily fulfill the obligation of a client to return a security previously sold short by acquiring it in the open market. A short sale ordinarily involves a judgment on BHRC's part that, subsequent to the sale, the price of the security will fall over time, resulting in profits equal to the difference between the net proceeds of the sale and the cost of acquiring the security (or a security exchangeable for or convertible into such security) at a later date to fulfill the obligation to return the security to the lender. The principal risk in selling a particular security short is that the price of the security will rise, resulting in a loss equal to the difference between the cost of acquiring the security (for return to the lender) and the net proceeds of the short sale. (This risk of loss is theoretically unlimited, since there is theoretically no limit on the price to which the security sold short may rise.) Another risk is that a BHRC client may be forced to unwind a short sale at a disadvantageous time for any number of reasons. For example, a lender may call back a stock at a time the market for such stock is illiquid or additional stock is not available to borrow. In addition, some traders may attempt to profit by making large purchases of a security that has been sold short. These traders hope that, by driving up the price of

the security through their purchases, they will induce short sellers to seek to minimize their losses by buying the security in the open market for return to their lenders, thereby driving the price of the security even higher. In certain cases, BHRC may find it difficult if not impossible to establish a desired short position because of a limited supply of the security available for borrowing.

**Use of Derivatives.** BHRC may invest on behalf of clients in derivative instruments, including futures contracts, option contracts, swap agreements and forward contracts, and derivative techniques, including synthetic short sales, for various hedging or speculative purposes. The use of such instruments and techniques may result in leverage. Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Uncertainties remain as to how the markets for these instruments will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a BHRC client, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force a BHRC client to close out its positions).

**Futures.** In the futures markets, margin deposits typically range between 2% and 15% of the notional value of the futures contract purchased or sold. Because of these low margin deposits, futures trading is inherently highly leveraged. As a result, a relatively small price movement in a futures contract may result in immediate and substantial losses to the trader. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a BHRC client from promptly liquidating unfavorable positions and result in losses. In addition, BHRC may not be able to execute futures contract trades at

favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Certain commodity exchanges have also established limits, referred to as "position limits," on the maximum net long or net short positions which any person may hold or control in particular commodity futures contracts.

**Options.** BHRC may purchase calls and puts for investment or for hedging purposes on behalf of its clients. BHRC may also cause clients to write calls or puts for speculative purposes. For the purchase of an option to be profitable, the market price of the underlying security must decline sufficiently below the exercise price (in the case of a put) or must increase sufficiently above the exercise price (in the case of a call) to cover the premium and transaction costs paid by the purchaser. If an option purchased is not sold or exercised when it has remaining value, or if at expiration the market price of the underlying security remains equal to or greater than the exercise price (in the case of a put) or remains equal to or below the exercise price (in the case of a call), a BHRC client will lose its investment in the option, that is, the premium paid upon purchase. The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

**Hedging.** BHRC may cause its clients to hedge investment positions in an effort to obtain protection against adverse price movements; however, hedging is not without its costs and risks. Hedging lowers the profit potential of the investment just as it lowers the loss potential. Also, hedging involves expense. An investor will have to absorb the cost of purchasing the hedge instrument as well as the brokerage and related transaction charges. At times, such costs may outweigh the benefits of obtaining the hedge. Hedges are most effective when the hedge instrument is similar or identical to the position being hedged. A number of factors may cause the correlation between the hedging instrument and primary position to decline. These include the differential effects of volatility between various instruments and uncorrelated changes in spreads between instruments.

**Bonds.** BHRC may invest on behalf of its clients in bonds or other fixed income securities, including commercial paper and higher yielding (and, therefore, higher risk) debt securities. Such securities may be below investment grade and face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. A major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such



securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

**Loans.** BHRC may invest in loans on behalf of its clients. Loans may include fixed and floating rate loans arranged through private negotiations between one or more financial institutions and borrowers. Although loans are traded among financial institutions, some of the loans BHRC clients may invest in will be considered illiquid.

**Loan Participations.** BHRC may invest on behalf of its clients in loan participations. Investment in loan participations involves certain risks in addition to those associated with direct loans. A loan participant has no contractual relationship with the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default, and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have the voting rights, which are retained by the lender. In addition, a loan participant is subject to the credit risk of the lender as well as the borrower, since a loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan.

**Non-U.S. Investments.** BHRC may invest on behalf of its clients in securities denominated in non-U.S. currencies and/or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, U.S. and non-U.S. withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, and economic or political instability. There may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on non-U.S. markets are less liquid and their prices more volatile than securities of comparable U.S. companies. There also may be less extensive regulation of the securities markets in particular countries than in the United States.

**Illiquid Investments.** Certain investments in which clients of BHRC may invest will have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of BHRC to execute trade orders at desired prices in rapidly moving markets. In addition, clients of BHRC may invest in so-called “restricted securities” – i.e., securities issued in “private placements.” Restricted securities ordinarily are less liquid than publicly-traded securities. Clients of BHRC may

not be able to readily dispose of illiquid investments and, in some cases, will be legally or contractually prohibited from disposing of such investments for a specified period of time.

**Counterparty Risk.** Some of the markets in which BHRC may trade on behalf of its clients are over-the-counter or “interdealer” markets. The participants in these markets typically are not subject to the type of strict credit evaluation and regulatory oversight applicable to members of “exchange based” markets, and transactions in these markets typically are not settled through clearinghouses that guarantee the trades of their participants. This results in the risk that a counterparty may not be able to settle a transaction with on behalf of its clients in accordance with its terms because of a credit or liquidity problem of the counterparty, thereby exposing the BHRC client to loss (or potential elimination of the gain it would have experienced had the counterparty performed). In addition, in the case of a default by a counterparty, a BHRC client could become subject to adverse market movements while it attempts to execute a substitute transaction.

### **Disciplinary Information**

BHRC and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

### **Other Financial Industry Activities and Affiliations**

None of BHRC or its principals are registered as a broker-dealer or a registered representative of a broker-dealer. In addition, BHRC and its management persons are not affiliated with any broker-dealer or bank.

Neil Ramsey, a senior advisor of BHRC, is registered as an associate member of the National Futures Association and as an associated person and principal of Ramsey Quantitative Systems Inc., a registered commodity trading advisor and commodity trading advisor and member of the National Futures Association.

BHRC currently manages six pooled investment vehicles exempt from registration under the Investment Company Act. BHRC also manages two portfolios on a limited discretion basis using a strategy that is substantially different from the strategy of the BHRC Funds described above.

Some of the principals of BHRC were previously affiliated with Bay Harbour Management, L.C., an investment adviser registered with the SEC that has substantially wound down and ceased all investing activities.

Employees of BHRC and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which the BHRC Funds invest, or provide other services to portfolio companies, and may receive compensation in connection therewith. Employees of BHRC may also from time to time serve on the board of directors or a creditors committee of a portfolio company, or be given access

for other reasons to confidential information relating to companies in which the BHRC Funds invest. As a result, BHRC may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on clients of BHRC.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

BHRC has adopted a Code of Ethics as required by Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), that requires all employees to conduct business consistent with the level of ethical standards and fiduciary duties owed by BHRC to its clients. BHRC has appointed a Chief Compliance Officer (“CCO”) who is responsible for maintaining and enforcing the Code.

The Code of Ethics contains policies and procedures with respect to personal securities transactions by employees and related accounts that are designed to prevent front-running, scalping, the misuse of inside information and other improper activities. Employees must obtain the prior approval of the CCO for certain personal securities transactions, and must report all personal transactions to the CCO (or a designee) on at least a quarterly basis. The CCO (or a designee) monitors all transactions by employees in order to identify any pattern of conduct that may evidence conflicts or potential conflicts with the principles and objectives of the Code of Ethics, or other inappropriate behavior.

BHRC will provide to any client or prospective client at no cost a copy of the Code of Ethics. Clients wishing to receive this information should contact BHRC.

BHRC serves as investment adviser to certain “master” investment funds in which other “feeder” funds, for which BHRC also serves as investment adviser, invest all or substantially all of their assets. BHRC does not charge a management fee or performance allocation to the feeder funds with respect to their investment in any master fund, and the master and feeder funds generally pursue identical investment objectives.

BHRC may, on occasion, cause one or more of its clients to buy securities from, or sell securities to, other clients of BHRC at current market prices, including accounts in which BHRC, its principals or employees are investors or in which such persons may have a financial interest due to the payment of a performance fee or allocation to BHRC (or an affiliate) by such client. Cross transactions may include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. BHRC has a potentially conflicting division of loyalties and responsibilities regarding both parties to a cross transaction. However, BHRC will only cause clients to enter into a cross transactions when it is in the best interests of both parties to the transaction and, if required under the Advisers Act and related rules, with the consent of the appropriate

client (which, in the case of the BHRC Funds, may be provided by the independent directors of the relevant fund).

On occasion, the principals and employees of BHRC may buy and sell securities for themselves that they also recommend to clients. BHRC and its principals and employees are investors in some of the investment funds managed by BHRC. The Code of Ethics contains policies and procedures designed to prevent improper practices with respect to such transactions, and compliance with the Code of Ethics by BHRC, its principals and employees, is the primary method employed by BHRC to address the conflicts of interest that arise with respect to these transactions. The principals and employees of BHRC are required to obtain prior written approval of the Chief Compliance Officer before executing a personal securities transaction in a security in which any client of BHRC has a position.

## **Brokerage Practices**

**Research and Other Soft Dollar Benefits.** BHRC selects brokers and dealers to execute transactions for client accounts based on the benefits and costs of their services as compared to others in the marketplace. BHRC attempts at all times to achieve best execution. BHRC may take into account special expertise or capacities of a particular broker as well as research and other services provided to BHRC by brokers. BHRC considers such factors as price, the ability to effect the transactions, the brokers' or dealers' facilities, reliability and financial responsibility, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services, and any research or investment management-related services and equipment provided by such brokers or dealers. BHRC does not necessarily solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

BHRC may cause a higher commission to be paid to a broker or dealer that furnishes research, services or equipment than might be charged by another broker or dealer for effecting the same transaction, provided that BHRC determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research or investment management-related services and equipment provided by such broker or dealer.

Research services provided to BHRC by brokers may include written information and analyses concerning specific securities, companies or sectors (whether produced by the broker or a third party); market, financial and economic studies and forecasts (whether produced by the broker or a third party); statistics and pricing services; discussions with research personnel; data bases; and other news, technical and telecommunications services utilized by BHRC in the investment management and execution process, accounting fees and legal fees. BHRC does not generally receive any benefits outside the safe harbor under Section 28(e) of the Securities Exchange Act of 1934, as amended, for the use of commissions or "soft dollars" to obtain "research and

execution” services. Research services provided by brokers may be used for the benefit of all clients of BHRC. Clients may pay higher commissions than are obtainable from other brokers as a result of the consideration of research services as a factor in selecting brokers in addition to commission cost and best execution.

BHRC’s use of client brokerage commissions to obtain research services is a benefit to BHRC because BHRC does not have to produce or pay for such research services. This may result in an incentive for BHRC to select or recommend a broker-dealer based, in part, on the interest of BHRC in receiving such research services, rather than exclusively on the interest of BHRC’s clients in receiving most favorable execution.

BHRC and its affiliates may have other business arrangements with brokers and dealers used to execute transactions for clients. Brokerage firms and their affiliates and representatives may invest in funds managed by BHRC, and may provide financing or other services to BHRC or other accounts managed by BHRC. Brokerage firms and their employees may offer gifts to employees of BHRC, and may invite employees of BHRC to entertainment and social events. It is BHRC’s policy that factors such as gifts and entertainment that do not benefit client accounts should not be considered when selecting brokers and counterparties to execute transactions for clients.

**Brokerage for Client Referrals.** Subject to seeking best execution, BHRC may consider referrals of potential investors in the funds that it manages as a factor in the selection of brokers. BHRC may have an incentive to select or recommend a broker-dealer based on its interest in receiving referrals of investors in such funds, rather than on the interest of the clients of BHRC in receiving most favorable execution.

**Aggregation of Orders.** BHRC may place orders for more than one client account simultaneously. BHRC may also use an omnibus account to facilitate trading. The proposed allocation of any order placed on behalf of more than one client account is ordinarily determined prior to placing the order. If all orders are not filled at the same price, then BHRC may cause each account to pay or receive the average of the prices at which the orders were filled for all accounts. If all orders placed for client accounts cannot be fully executed under prevailing market conditions, then the securities traded may be allocated among client accounts on a pro rata basis or in some other equitable manner, taking into account the size of the order placed for each account and any other relevant factors. Such aggregation of orders may not always be to the benefit of a client with regard to the price or quantity executed.

## **Review of Accounts**

All client accounts are reviewed on a daily basis by Michael Thompson, co-Managing Partner and Portfolio Manager, or Steven Van Dyke, co-Managing Partner. Investors in funds managed by BHRC receive a monthly statement of valuation, annual audited financial statements and occasional letters from BHRC. Investors that require tax reporting receive a Schedule K-1 or PFIC statement annually. Clients with individually managed accounts that are not audited receive a confirmation of each transaction from the custodian. Managed account clients also receive monthly statements of value and,

in some cases, written correspondence from BHRC providing a qualitative update on the account.

### **Client Referrals and Other Compensation**

BHRC or its affiliates may enter into arrangements with unaffiliated placement agents or other third parties to introduce clients to BHRC or investors to a BHRC Fund. At present, BHRC does not have any arrangements with any third party to introduce prospective clients to BHRC. BHRC has one historical relationship with a third party who introduced certain investors to the BHRC Funds, pursuant to which BHRC pays to the third party a portion of the advisory fees received by BHRC or its affiliate from such investors. However, the third party is not currently soliciting investors on behalf of BHRC. Any such compensation arrangements will be disclosed to clients of BHRC in accordance with, and otherwise comply with, Rule 206(4)-3 under the Advisers Act.

As described above, BHRC may also consider referrals of clients and investors in determining its selection of broker-dealers for securities transactions for its clients. A potential conflict of interest may arise between the interests of clients of BHRC in obtaining best price and execution and BHRC's interest in receiving such referrals. However, BHRC will only consider referrals of clients and investors in determining its selection of broker-dealers when BHRC believes that the selection of the relevant broker is consistent with the obligation of BHRC to seek best execution for all transactions on behalf of its clients, taking into account all relevant factors including, but not limited to, execution quality, price, the level of service offered, reliability, and such other factors as BHRC deems relevant.

### **Custody**

All assets in the accounts of BHRC clients will be held by a qualified custodian. Managed account clients should receive at least quarterly statements from the custodian. BHRC urges clients to carefully review such statements and compare them to any account statements provided by BHRC.

### **Investment Discretion**

BHRC has discretionary authority to manage the securities accounts of such clients, buys and sells investment securities conforming to the objectives and constraints of each client, and determines the appropriate size and amount of each security to be held. BHRC generally enters into a written investment management agreement with each client granting such discretionary authority.

Unless otherwise agreed to between BHRC and each client, BHRC will not ordinarily be responsible for losses in client accounts, whether caused by the actions of BHRC or unrelated third parties, unless caused by the gross negligence, fraud or willful misconduct of BHRC. Accordingly, BHRC will not ordinarily be responsible for the consequences of ordinary trade errors, unless caused by the gross negligence, fraud or willful misconduct of BHRC.

## **Voting Client Securities**

BHRC has adopted policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Advisers Act. These policies and procedures are designed to ensure that proxies received with respect to securities in client accounts for which BHRC exercises voting discretion are voted in the best interests of such clients and that BHRC maintains records of its proxy voting in compliance with the Advisers Act.

Unless otherwise instructed by a client, BHRC will vote client proxies consistent with general guidelines that BHRC has adopted and that BHRC believes reflect the best interests of its clients, after taking into consideration all relevant facts and circumstances at the time of the vote.

BHRC will provide to any client at no cost a copy of its voting policies and procedures and information regarding how such client's proxies have been voted in the past.

## **Financial Information**

Not applicable.

## **Requirements for State-Registered Advisers**

Not applicable.

**MICHAEL THOMPSON  
STEVEN VAN DYKE**

**BHR CAPITAL LLC**

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**This brochure supplement provides information about Steven Van Dyke and Michael Thompson that supplements the brochure of BHR Capital LLC (“BHRC”). You should have received a copy of that brochure. Please contact BHRC at (212) 378-0830 if you did not receive BHRC’s brochure or if you have any questions about the contents of this supplement.**



## **Michael N. Thompson, Co-Managing Partner and Portfolio Manager**

### **Education Background and Business Experience**

Mr. Thompson is a Founding Partner of BHR Capital LLC, Co-Managing Partner and its Portfolio Manager. Mr. Thompson was previously with Bay Harbour Management, L.C. ("Bay Harbour"), which he joined in January 2008, and became Portfolio Manager for all of its funds in January 2009. In 2008, he led all of Bay Harbour's research and investment efforts in the financial and real estate sectors and was primarily responsible for the firm's portfolio of short positions. He has managed several restructuring processes, most recently that of Six Flags. Mr. Thompson has an extensive background in trading, structuring and risk management of corporate debt and equity, structured finance and real estate securities and has managed complex transactions across these and other asset classes. Mr. Thompson was previously a Managing Director at Wachovia Securities with management responsibilities for a proprietary trading book which exceeded \$3 billion and for a division with approximately 100 employees in the U.S., the U.K. and Hong Kong. He graduated magna cum laude with a BBA in International Finance from the Honors Program at the University of Georgia where he received Alumni, Governor's and Hope Scholarships.

### **Disciplinary Information**

Mr. Thompson has not been the subject of any material legal event required to be disclosed in response to this item.

### **Other Business Activities**

Mr. Thompson is not actively engaged in any investment-related business or occupation other than BHRC.

### **Additional Compensation**

Mr. Thompson does not receive an economic benefit for providing advisory services from someone who is not a client.

### **Supervision**

This item is not applicable to Mr. Thompson.

### **Requirements for State-Registered Advisers**

Mr. Thompson is not required to make any disclosure in response to this item.

## **Steven A Van Dyke, Co-Managing Partner**

### **Education Background and Business Experience**

Mr. Van Dyke is a Founding Partner of BHR Capital LLC and Co-Managing Partner. Mr. Van Dyke began his investment career at First Kentucky Trust Company in Louisville, KY in 1981. As a Senior Investment Officer, Mr. Van Dyke made his first investment in the distressed securities market in 1982 through a participation in the certificates of liquidation in Braniff Airlines. Mr. Van Dyke joined Tower Investment Group, Inc. in Louisville in 1986. Mr. Van Dyke purchased the business in 1987 and transitioned the firm to one with a dedicated focus on distressed securities management. Mr. Van Dyke sold a minority interest in the firm to Sir John Templeton in December 1996 and changed the name to Bay Harbour Management, L.C. Mr. Van Dyke currently serves on the board of directors of American Banknote Corp. and America's Best Franchising, Inc. He is a former director of TelCove, Inc. Mr. Van Dyke graduated from the University of Kentucky in 1981 with his BBA in Finance. Mr. Van Dyke is a Chartered Financial Analyst and a member of The Financial Analysts Society of Central Florida, the Association for Investment Management and Research and the Society of International Business Fellows.

### **Disciplinary Information**

Mr. Van Dyke has not been the subject of any material legal event required to be disclosed in response to this item.

### **Other Business Activities**

Mr. Van Dyke is a member of Bay Harbour Management, LC, a registered investment adviser that has substantially wound down and has ceased all investing operations.

### **Additional Compensation**

Mr. Van Dyke does not receive an economic benefit for providing advisory services from someone who is not a client.

### **Supervision**

This item is not applicable to Mr. Van Dyke.

### **Requirements for State-Registered Advisers**

Mr. Van Dyke is not required to make any disclosure in response to this item.