



Form ADV Part 2A: Firm Brochure

NMS Capital Services, LLC

March 30, 2017

Principal Office

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This brochure provides information about the qualifications and business practices of NMS Capital Services, LLC ("NMS") and its affiliates. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, James Wilson, at 214-871-8362 or email jwilson@nms-capital.com.

Additional information about NMS is also available on the SEC's website at: www.adviserinfo.sec.gov.

NMS is registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940 (the "Advisers Act"). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any investment fund. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

Item 2: Material Changes

This brochure dated March 30, 2017 has been prepared by NMS as an amendment to the prior version of its brochure, dated March 30, 2016.

Item 2 discusses only material changes to the brochure since such prior version. There have been no material changes since the last brochure.

Item 3: Table of Contents

Item 2: Material Changes	2
Item 3: Table of Contents.....	2
Item 4: Advisory Business	2
Item 5: Fees and Compensation	3
Item 6: Performance Based Fees and Side-by-Side Management.....	5
Item 7: Types of Clients.....	6
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9: Disciplinary Information	14
Item 10: Other Financial Industry Activities and Affiliations	14
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..	15
Item 12: Brokerage Practices	16
Item 13: Review of Accounts.....	16
Item 14: Client Referrals and Other Compensation	16
Item 15: Custody	17
Item 16: Investment Discretion	17
Item 17: Voting Client Securities	17
Item 18: Financial Information.....	18

Item 4: Advisory Business

NMS is a limited liability company organized under the laws of the State of Delaware and is controlled by New MainStream Capital Management Holding, LLC (“New MainStream Holding”). New MainStream Holding is owned and controlled by Martin Chavez and Kevin Jordan (collectively, the “Managing Partners”). NMS Management, LP (“NMS Management”) is a Delaware limited partnership that is also controlled by New Mainstream Holding and has an advisory agreement with the Funds (defined below). NMS, New Mainstream Holding, and NMS Management were founded in 2010.

NMS, directly or through its affiliated management entities, provides discretionary advisory services to NMS Fund, LP, and NMS Fund II, LP (each, a “Fund” and collectively, the “Funds”), both of which are private investment partnerships. As used throughout this Brochure, the term “client”, generally refers to each Fund. The general partner of NMS Fund, LP is NMS GP, LP, and the general partner of NMS Fund II, LP is NMS II GP, LP (each, a “General Partner,” and collectively, the “General Partners”). NMS offers the Funds advice with respect to private equity

investments in lower middle market companies primarily based in North America, managing, supervising and disposing of such investments, and engaging in such other activities as the General Partners deem reasonably necessary. NMS will invest the Funds' capital in lower middle market companies, with particular concentration on companies in the healthcare service, consumer products and business service markets. NMS has taken both control as well as minority equity positions in the investments that it has made for the Funds. As of December 31, 2016 NMS managed approximately \$265 million of assets on behalf of the Funds. All assets are managed on a discretionary basis.

NMS formulates its investment advice based on the Funds' investment objectives. As part of its advisory services, NMS directs and manages the investment and reinvestment of the Funds' assets, and provides reports to Investors (defined below). Investment advice is provided directly to the Funds and not individually to the limited partners of the Funds (the "Investors" or "Limited Partners"). NMS manages the assets of the Funds in accordance with the terms of the Funds' limited partnership agreements (each, a "Limited Partnership Agreement" and collectively, the "Limited Partnership Agreements"). All terms are generally established at the time of the formation of a Fund, and are only terminable once the Fund is dissolved, wound up, and terminated. Limited Partners are not permitted to withdraw from the Funds prior to the Funds' dissolution, except in limited circumstances.

On occasion, the Funds may form co-investment vehicles managed by NMS or its affiliates to invest alongside the Funds in portfolio companies. Such co-investment vehicles may pay management fees and/or carried interest to NMS.

NMS does not participate in wrap-fee programs.

Item 5: Fees and Compensation

General

NMS or one of its affiliates typically receives compensation from the Funds in the form of management fees, carried interest allocations, and certain other fees or expenses related to transactions (see below). The recipients of this Brochure should refer to the detailed information found in the Funds' Limited Partnership Agreement for specific information about the fees earned by NMS and its affiliates or the General Partners and the expenses to be paid by the Funds and, indirectly, by the Limited Partners.

Management Fees

The Limited Partnership Agreements provide for the Funds to pay a management fee to NMS' affiliates for managing the affairs of the Fund. In the case of NMS Fund, LP, the management fee is a pre-determined annual amount, and in the case of NMS Fund II, LP, the management fee per annum is equal to 2.0% of the Limited Partner's capital commitments or actively invested capital. The management fee is paid by the Funds quarterly in advance. Any fees payable in advance will be prorated and reimbursed to an Investor to the extent an Investor is required to withdraw pursuant to the terms set forth under the Limited Partnership Agreements.

Carried Interest Allocations

The Funds are also subject to a carried interest of up to 20% of profits on distributions derived from the disposition of investments or securities (following a preferred return of 8% to Investors), which is paid to affiliates of NMS.

Other Fees

NMS and/or its employees may also receive fee income paid by portfolio companies or other third parties, including monitoring fees, consulting fees, directors' fees (whether in the form of cash, securities, or otherwise), break-up fees, service fees, or other similar fees received with respect to investments or proposed investments by NMS, the General Partners, or any affiliate of the foregoing (collectively, "Other Fees").

Under the terms of the Limited Partnership Agreement for NMS Fund, LP, management fees are reduced by an amount equal to 80% of NMS Fund's share of Other Fees received by any persons of NMS during the previous quarter. Under the terms of the Limited Partnership Agreement for NMS Fund II, LP, management fees are reduced by an amount equal to 100% of NMS Fund II's share of Other Fees received by any persons of NMS during the previous quarter. Since such fees are not always based on the exit or sale of a Fund investment, NMS and its affiliated parties may receive the benefit of Other Fees even when a Fund does not ultimately profit from an investment. Any unused Other Fees are carried forward and applied against future management fees.

Typically, co-investment vehicles or certain other persons co-investing alongside the Funds will be allocated a pro-rata share (relative to capital invested) of Other Fees. With respect to certain co-investments, or other persons, NMS or its related persons may retain relevant service fees or portfolio monitoring fees, earn carried interest and receive a management fee that will not reduce the compensation paid to NMS by the Funds or co-investment vehicles. Co-investment entities and co-investors may present additional conflicts of interest. At the discretion of NMS, co-investment opportunities may be offered to third parties and/or Limited Partners of the Funds or co-investment vehicles. Expenses borne by the Funds or co-investment vehicles are allocated among any parallel funds, co-investment vehicle, and other entities that comprise the Funds or co-investment vehicles that shared in the activities generating such expenses. However in certain instances, including broken deal expenses, co-investment vehicles may not bear their pro rata share of such expenses and such expenses will instead generally be borne by the Funds.

Other Expenses Charged to the Fund

In addition to management fees and carried interest, the Limited Partners will pay or reimburse NMS or its affiliated parties certain fees and expenses charged to the Funds. Those fees and expenses typically include, among other things, the following (the following list is not intended to be exhaustive, each Investor should refer to the Limited Partnership Agreements for a more definitive list of the fees and expenses borne by each respective Fund): fees, costs, and expenses incurred in connection with the organization and start-up of the Funds, expenses associated with the acquisition or disposition of investments, including expenses paid by the Funds with respect to potential Investments that are not consummated (i.e., broken deal expenses), private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, reasonable travel expenses (except in the case of NMS Fund, LP which does not bear such travel expenses), and legal, accounting, investment banking, consulting, information services

and professional fees (which reimbursement may include affiliates of the General Partner or NMS, to the extent that fees, costs and expenses payable to such affiliates do not exceed the amount customarily charged by third parties for services similar to those actually provided) related to the discovery, investigation, development, making, management and disposition of Investments (whether or not consummated), third-party costs incurred in connection with the carrying or management of investments including custodial, trustee, record keeping and other administration fees, expenses incurred in connection with preparation and issuance of the Funds' financial statements, reports and tax returns, schedule K-1 (and similar schedules) and other communications with Limited Partners, including expenses incurred in connection with providing the limited partners access to a database or other forum hosted on a website designated by the Fund, fees of attorneys, accountants and fund administrators relating to Fund matters, taxes and other governmental charges incurred by the Funds, insurance premiums or expenses incurred in connection with the activities of the Funds, including errors, omissions, fidelity, general partner liability, fiduciary, directors' and officers' liability and similar coverage, expenses incurred to comply with any law or regulation related to activities of the Funds (including expenses related to the preparation and filing of the U.S. Securities and Exchange Commission Form PF and other similar U.S. and non-U.S. regulatory filings and expenses related to complying with the FATCA Obligations) or incurred in connection with any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except, however, to the extent such expenses or amounts have been determined to be excluded from the indemnification by the terms of the Funds' Limited Partnership Agreement; expenses related to defaults by any Limited Partner of the Funds in the payment of any capital contributions; expenses incurred in connection with any amendments, modifications, revisions or restatements to the constitutive documents of the Funds or the Funds' related entities or special purpose vehicles; expenses incurred in connection with distributions to the Funds' partners; expenses incurred in connection with meetings of the Funds' partners or the Funds' advisory boards; any and all expenses incurred in connection with the Funds' Strategic Advisory Committee and Operating Executive Council, including, in certain instances, consulting fees and expenses paid to members of the Operating Executive Council for diligence, consulting, directorship and other services rendered in connection with the Funds' portfolio investments and deal sourcing activities (the members of the Strategic Advisory Committee and Operating Executive Council are not partners or employees of NMS but rather consultants engaged, from time to time, by NMS, the Funds or their portfolio companies to provide certain services); expenses related to the Fund's indemnification obligations; expenses incurred in connection with the formation of special purpose investment vehicles; interest on, and fees and expenses arising out of, portfolio company guarantees or borrowings made by the Funds, and expenses incurred in connection with the dissolution, winding up or termination of the Fund.

Overhead Expenses

NMS and the General Partners will pay all of their ordinary administrative and overhead expenses in managing Funds' investments, including salaries, rent, supplies, and equipment expenses.

Item 6: Performance Based Fees and Side-by-Side Management

As described in Item 5, NMS or its affiliates receive performance-based compensation in the form of "carried interest", which calculation is based on the profits generated on the sale or disposition of the Funds' assets. The fact that a significant portion of the Advisor's compensation (and its

affiliates and investment professionals compensation) is directly computed on the basis of profits generated by the sale or disposition of the Funds' assets may create an incentive for NMS to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation. NMS seeks to address these conflicts through careful vetting of investment opportunities by its investment professionals, and by disclosure of investments to Limited Partners by way of capital call notices and periodic reports. In addition, the governing documents of the Funds contain "clawback" provisions applicable in the event of over payment of carried interest distributions.

Item 7: Types of Clients

NMS provides discretionary management and advisory services directly and through related persons to privately offered funds that invest primarily in private equity. Investors in the Funds include state retirement systems, other pooled investment vehicles, high net worth individuals, and trusts.

All investors will be required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and most investors will also be required to be either "qualified purchasers" within the meaning of the Investment Company Act of 1940 (the "1940 Act"), as amended, or "knowledgeable employees" per Rule 3c-5 of the 1940 Act.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategy

NMS' investment strategy is to invest in growing, lower middle market companies primarily located in North America. NMS seeks to acquire solid businesses in partnership with management, then improving profitability and driving growth, both organically and through selective acquisitions. NMS implements its investment strategy through a disciplined adherence to its targeted core investment attributes, carefully selecting investments from its deal flow sourcing and structured diligence process, and the implementation of a "hands-on" approach to managing each portfolio company.

Methods of Analysis

NMS employs a structured investment review and approval process driven by extensive industry and company specific analysis. NMS focuses its initial assessment of potential investments against its targeted core investment attributes: (i) strong underlying growth characteristics, (ii) high operating margins with strong free cash flows, (iii) experienced management teams focused on generating growth, and (iv) market share leadership or opportunities for industry consolidation. NMS generally avoids investments that are (i) excessively sensitive to recessionary or commodity business cycles, (ii) capital intensive, (iii) susceptible to a high degree of technological obsolescence, or (iv) subject to the threat of inequitable overseas competition. If the investment opportunity merits further investigation, two or more members of NMS will be specifically devoted to pursuing the opportunity on an on-going basis. NMS employs a comprehensive due diligence process that is intended to identify risks and opportunities associated with potential investments. To the extent necessary, NMS utilizes appropriate internal resources and will engage third party consultants, attorneys and accountants. Upon completion of detailed due diligence, and prior to the consummation of an investment, a written investment review

memorandum is prepared describing the investment thesis, diligence results, the proposed transaction structure and other relevant matters.

Associated Risks

All investing involves a risk of loss and the investment strategy offered by NMS could lose money over short or even long periods. An investment in the Funds may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Funds. No guarantee or representation is made that the Funds will achieve their investment objectives or that Limited Partners will receive a return of their capital.

Identifying and participating in portfolio company investments and assisting in building successful enterprises is challenging. Many investment decisions made by NMS will be dependent upon the ability of its members to obtain relevant information predominantly from non-public sources, and reliance upon information provided by third parties that is impossible or impractical to verify. The marketability and value of each investment will depend upon many factors beyond NMS' control.

The descriptions contained below are a brief overview of the material risks related to NMS' investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the Funds.

Investing in the Funds involves a risk of loss all Limited Partners should be prepared to bear.

Operating and Financial Risks of Portfolio Companies

Portfolio companies in which the Funds invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in their competitive environment, or an economic downturn. As a result, portfolio companies that NMS expected to be stable may operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive positions, or may otherwise have a weak financial condition or be experiencing financial distress. In some cases, the success of the Funds' investment strategy and approach will depend, in part, on the ability of NMS to effect improvements in the operations of a portfolio company and/or recapitalize its balance sheet. The activity of identifying and implementing operating improvements and/or recapitalization programs at portfolio companies entails a high degree of uncertainty. There can be no assurance that NMS will be able to successfully identify and implement such operating improvements and/or recapitalization programs.

Additional Capital; Follow-On Investments

Certain of the Funds' portfolio companies, especially those in a development phase, may require additional financing to satisfy their working capital requirements. The amount of the additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each such round of financing is typically intended to provide a company with enough capital to reach its next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to its existing investors,

including the Funds. In addition, the Funds may make additional debt and equity investments or exercise rights under warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve the Funds' proportionate ownership when a subsequent financing is planned, or to protect the Funds' investment when such portfolio company's performance does not meet expectations.

The availability of capital is generally a function of capital market conditions that are beyond the control of the Funds or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately future capital requirements necessary for success or that additional funds will be available from any source. The Funds may be called upon to provide follow-on funding for its investments or have the opportunity to increase its investment in such a portfolio company. There can be no assurance that the Funds will make follow-on investments or that it will have sufficient funds or the ability to do so. Any decision by the Funds not to make a follow-on investment or its inability to make such an investment may have a substantial negative impact on a portfolio company in need of such an investment or may diminish the Funds' ability to influence the portfolio company's future development.

Competitive Market for Investment Opportunities

The activity of identifying, completing and realizing on attractive private equity investments is competitive and involves a high degree of uncertainty. NMS expects to encounter competition from other entities having similar investment objectives. Potential competitors may include other investment partnerships and corporations, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Competition for appropriate investment opportunities may reduce the number of investment opportunities available to the Partnership and adversely affect the terms upon which investments can be made. Additional funds with investment objectives similar to those of NMS may also be formed in the future by other parties. Some of these competitors may have more relevant experience, greater financial resources and more personnel than NMS. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to NMS and adversely affecting the terms upon which portfolio investments can be made.

Based on the foregoing, there can be no assurance that NMS will be able to identify or consummate investments satisfying its investment criteria. The success of the Funds will depend on the ability of NMS to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of portfolio investments. Likewise, there can be no assurance that the Funds will be able to realize upon the values of its investments or that it will be able to invest the Funds' commitments. To the extent that NMS encounters competition for investments, returns to its investors may decrease.

Illiquid and Long-Term Investments

It is anticipated that there will be a significant period of time before the Funds will have completed its investments in portfolio companies. Such investments may take several years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Although portfolio investments by the Funds occasionally may generate some current income, private investment transaction structures typically will not provide for liquidity of the Funds' investment prior to that time. The return of capital and the realization of gains, if any,

from a portfolio investment will generally occur only upon the partial or complete disposition or refinancing of such portfolio investment. In light of the foregoing, it is likely that no significant return from the disposition of the Funds' investments will occur for a substantial period of time from the commencement of the Funds' operations. It is unlikely that there will be a public market for the securities held by the Funds at the time of their acquisition. The Funds generally will not be able to sell its securities publicly unless the issuer has consummated a public offering of its securities and such offered securities are registered under applicable securities laws, unless an exemption from such registration requirements is available. In addition, in some cases, the Funds may be prohibited by contract from selling certain securities for a period of time and, as a result, may not be permitted to sell a portfolio investment at a time it might otherwise desire to do so. Further, disposition of such investments may require a lengthy time period or may result in distributions in kind to investors.

Reliance on Key Personnel

Decisions made with respect to the management of the Funds will be made by NMS and its affiliates, which will have exclusive responsibility for the Fund's activities and, other than as set forth in the Partnership Agreements, Limited Partners will not be able to make investment or other decisions with respect to the management of the Funds. The success of the Funds will depend on the ability of NMS, its Managing Partners and other investment professionals to identify and consummate suitable investments, to improve the operating performance of portfolio companies and to dispose of the investments of the Funds at a profit. NMS, the General Partners and their affiliates are controlled by the Managing Partners. Any loss of the services of one or both of the Managing Partners could have an adverse impact on the Partnership's ability to realize its investment objectives. There can be no assurance that each of the Managing Partners or other NMS investment professionals will continue to be associated with the Funds throughout their anticipated terms.

Investments Longer than Term

The Funds may invest in investments which may not be advantageously disposed of prior to the date that the Funds will be dissolved, either by expiration of the Funds' term or otherwise. Although the General Partners expect that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Investments in Less Established Companies

The Funds may invest a portion of its assets in the securities of less established companies, or early stage companies. Investments in such early stage companies may involve greater risks than those generally associated with investments in more established companies. For instance, less established companies tend to have smaller capitalizations and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. In the case of start-up enterprises, such companies may not have significant or any operating revenues. In addition, less mature companies could be more susceptible to irregular accounting or other fraudulent practices. Furthermore, to the extent there is any public market for the securities held by the Funds, securities of less established companies may be subject to more abrupt and erratic market price movements than those of larger, more established companies.

Some of the portfolio investments expected to be made by the Funds should be considered highly speculative and may result in the loss of the Funds' entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on the Funds' other investments.

Lower Middle Market Companies

A significant component of the Funds' investment objectives is to invest in lower middle market companies. The Funds' focus on "lower middle market companies" will generally include companies with revenues ranging from \$25 million to \$500 million. Although investments in lower middle market companies may present greater opportunities for growth, such investments may also entail larger risks than are customarily associated with investments in larger companies. Lower middle market companies may have relatively limited product lines, markets, and financial and other resources. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in lower middle market companies, could make it difficult for the Funds to react quickly to negative economic or political developments.

Portfolio Concentration

Although generally no more than 20% of the aggregate Commitments will be invested in any single portfolio company, diversification is not a requirement of the Funds. Accordingly, the Funds' portfolio investments may include a small number of large positions. While this portfolio concentration may enhance total returns to the Limited Partners, if any large position has a material loss, then returns to the Limited Partners may be lower than if they had invested in a well-diversified portfolio. To the extent the Funds concentrate portfolio investments in a particular issuer, security or geographic region, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. As a consequence, the aggregate return of the Funds may be adversely affected by the unfavorable performance of one or a small number of portfolio investments. Moreover, because it is not reasonable to expect all of the Funds' investments to perform well or even return capital, for the Funds to achieve above-average returns one or a few of its investments must perform very well. There are no assurances that this will be the case. Additionally, the securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure and, therefore, may be subject to the greatest risk of loss.

Financial and Other Fraud

Instances of fraud and other deceptive practices committed by senior management or owners of portfolio companies in which the Funds invest may undermine NMS' due diligence efforts with respect to such companies and, if such fraud is discovered, negatively affect the valuation of the Funds' investments. In addition, when discovered, financial fraud may contribute to overall market volatility that can negatively impact the Funds' investment program. In the event of fraud

by any company in which the Funds invests, the Funds may suffer a partial or total loss of capital invested in that company.

Debt Investments in Portfolio Companies

The Funds may make investments in debt or convertible debt securities. Such debt may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness and there is no minimum credit rating for such debt investments. Other factors may materially and adversely affect the market price and yield of such debt investments, including, investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions.

Financial Leverage

The Funds expects to maintain financial leverage within each of its portfolio companies and may re-leverage a portfolio investment in order to achieve this goal. Such leverage may be substantial. Utilization of leverage will result in fees, expenses and interest costs to the Funds. If the Funds are unable to refinance a portfolio company in order to maintain the desired amount of financial leverage, the Funds may realize lower than expected returns from the relevant portfolio investment and may hold a larger than expected equity investment in that portfolio investment. Although the General Partners and NMS will seek to use financial leverage in a manner that they believe to be appropriate, the leveraged capital structure of such portfolio companies and portfolio investments may significantly increase their exposure to adverse economic factors, such as rising interest rates, downturns in the economy or deterioration in the condition of such portfolio companies or portfolio investments or their respective industries. If a portfolio company cannot generate adequate cash flow to meet debt obligations, for example, the Funds may suffer a partial or total loss of capital invested in the portfolio company.

The Funds' assets, including any investments made by the Funds and any capital held by the Funds, may be available to satisfy all liabilities and other obligations of the Funds. If the Funds or a portfolio company defaults on secured indebtedness, for example, the lender may foreclose and the Funds could lose its entire investment in the security for such loan. If the Funds become subject to a liability, parties seeking to have the liability satisfied may have recourse to the Funds' assets generally and will not be limited to any particular asset, such as the investment giving rise to the liability. In addition, there can be no guarantee that debt facilities will be available at commercially attractive rates throughout the term of the Funds or when due for refinancing such that the Funds or the applicable a portfolio company will be exposed to less favorable terms or rates upon a refinancing, or that any facilities negotiated will be fully utilized. Borrowings may be secured by assignment of the obligations of the Limited Partners to make capital contributions to the Funds and a security interest in investments. This may limit the Investors' ability to use their interests in the Funds as collateral for other indebtedness. In addition, the inability of the Funds to repay borrowings under a credit facility secured by the commitments of Limited Partners could enable a lender to take action against any Limited Partner to the extent of its then remaining commitment in the Funds.

Changes in Credit Markets

Certain of the firm's previous investments have benefited from favorable borrowing conditions in the debt markets, which historically have been cyclical. However, a decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders) could impair, potentially materially, the Funds' ability to consummate or profit from these transactions. The deterioration of the global debt markets (particularly the U.S. debt markets), the failure of certain U.S. financial services companies and a significant rise in market perception of counterparty default risk could significantly reduce investor demand and liquidity for investment grade, high yield and senior bank debt, which in turn can lead some investment banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer committed financing for investments on less favorable terms. An economic downturn could adversely affect the financial resources of the Funds' portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Funds could lose both invested capital in and anticipated profits from the affected portfolio investment. Such a marketplace may impair the Funds' ability to consummate certain transactions or cause the Funds to enter into certain transactions on less attractive terms. The Funds' ability to generate attractive investment returns for its Limited Partners may be adversely affected to the extent its portfolio companies are unable to obtain favorable financing terms for their investments.

Investments in Restructurings or Underperforming Companies

The Funds may make investments in companies that are experiencing or are expected to experience financial difficulties, which such companies may never overcome. Such investments could, in certain circumstances, subject the Funds to additional potential liabilities, which may exceed the value of the Funds' original investment therein. Such investments of the Funds could also be subject to federal bankruptcy law and state fraudulent transfer laws, which may vary from state to state, if the securities relating to such investments were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such securities. If such investments constitute debt and such debt is used for a buyout of shareholders, this risk is greater than if the debt proceeds are used for day-to-day operations or organic growth. If a court were to find that the issuance of the securities was a fraudulent transfer or conveyance, the court could void the payment obligations under the securities, further subordinate the securities to other existing and future indebtedness of the issuer or require the Funds to repay any amounts received by it with respect to the securities. In the event of a finding that a fraudulent transfer or conveyance occurred, the Funds may not receive any repayment on the securities.

Under the Bankruptcy Code, a lender that has inappropriately exercised control of the management and policies of a company may have its claims against the company subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Funds and distributions by the Funds to the Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Such debt may also be disallowed or subordinated to the claims of other creditors if the Funds are found to have engaged in other inequitable conduct resulting in harm to other parties. The Funds' investment may be treated as equity if it is deemed to be a contribution to capital, or if the Funds attempt to control the outcome

of the business affairs of a company prior to its filing under the Bankruptcy Code. While the Funds will attempt to avoid taking the types of action that would lead to such liability, there can be no assurance that such claims will not be asserted or that the Funds will be able successfully to defend against them.

Non-Control Investments and/or Investments with Third Parties in Joint Ventures and Other Entities

While the Funds intends to take control positions in portfolio companies, the Funds may hold a non-controlling interest in certain portfolio companies and, therefore, may have a limited ability to protect its position in such portfolio companies. Further, the Funds may have no right to appoint a director and a limited ability to protect its interests in such companies and to influence such companies' management. Similarly, the Funds may co-invest with third parties through an investment fund, joint ventures or other entities, thereby acquiring non-controlling interests in certain investments. In such cases, the Funds will be significantly reliant on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds. Moreover, in the case where the Funds may co-invest, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party partner or co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action contrary to the Funds' interests or goals. In addition, the Funds may in certain circumstances be liable for the actions of its third party partners or co-venturers. Investments made with third parties in joint ventures or other entities also may involve carried interests and/or other fees payable to such third party partners or co-venturers. Although the Funds may not have control over these investments and, therefore, may have a limited ability to protect its position therein, the Funds generally expect that appropriate minority investor rights will be obtained to protect its interests to the extent possible. There can be no assurance that such minority investor rights will be available, however, or that such rights will provide sufficient protection of the Funds' interests.

Control Position Risk

Although non-control investments may also be made, the Funds intend to make certain investments that allow the Funds to acquire control or exercise influence over management and the strategic direction of a portfolio investment. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, pension liabilities, failure to supervise management and other types of liability in which the limited liability characteristic of business operations may be ignored. The exercise of control over a portfolio investment could expose the assets of the Funds to claims by the portfolio companies underlying such investments, its security holders and its creditors. While the General Partners intend to manage the Funds to minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Non-United States Investments

The Funds may invest in companies domiciled outside of the United States. Non-U.S. securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between

the U.S. dollar and the various non-U.S. currencies in which the Funds' non-U.S. investments are denominated, and costs associated with the conversion of investment principal and income from one currency into another; (ii) differences between U.S. and non-U.S. securities markets, including potential price volatility in, and relative illiquidity of, some foreign securities markets; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation in some countries; (iv) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic, or social instability and the possibility of confiscatory taxation or expropriation; (v) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities and (vi) less developed corporate laws regarding, among other things, fiduciary duties and the protection of investors. The General Partners and the management company will analyze risks in applicable countries before making such investments, but no assurance can be given that a political or economic climate, or that particular legal or regulatory risks might not adversely affect an investment by the Funds.

Valuation of Investments.

NMS determines the value of the Funds' investments in accordance with its valuation policy. For most of the Fund's investments, there is no readily available pricing information. NMS estimates the fair value for private equity and other investments for which market quotations are not readily available. Such valuations are determined based upon factors deemed relevant by NMS, including (but not limited to) market conditions, purchase price, and meaningful third-party transactions in the private and public markets. NMS may consider a variety of methods in determining fair value and will use the appropriate valuation methodology based on the circumstances of each investment. There can be no assurance that NMS will have all the information necessary to make valuation decisions in respect of its investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of NMS with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by NMS may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an Investor's evaluation of NMS or the integrity of NMS' management. Neither NMS nor any of its officers, directors, employees or other management persons, have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

Item 10: Other Financial Industry Activities and Affiliations

Pooled Investment Vehicles

The General Partners have organized and sponsor the Funds, which are private investment companies. These Funds are managed by NMS but are controlled by the affiliated General

Partners. On occasion, NMS may form co-investment vehicles managed by NMS or its affiliates to invest alongside the Funds in portfolio companies. NMS and the related General Partners will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds' (and co-investment vehicles, if any) investment activities. While the General Partners are not separately registered as an investment adviser with the SEC, all of its investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules thereunder.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

NMS has adopted a written Code of Ethics (the "Code") predicated on the principal that NMS owes a fiduciary duty to the Funds and its Investors. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of NMS (the "Employees"). NMS requires its Employees to act in the Funds' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

The Code requires Employees to obtain pre-clearance before purchasing an IPO or limited offering (i.e., private placement); requires periodic reporting of Employees' personal securities transactions and all holdings; and requires prompt internal reporting of Code violations. NMS endeavors to maintain current and accurate records of all personal securities activities of its Employees in an effort to monitor all Employees' trading activity. A copy of NMS' Code is available upon request.

NMS' Employees and their related entities have investments in the Funds' General Partners. The General Partners participate in the Funds' investment program by agreeing to commit a certain amount of capital commitments to the Funds. Therefore, Employees and their related entities participate in transactions effected for the Funds and have a direct financial interest in the transactions of the Funds. While such arrangements are intended to align the interests of NMS and the Limited Partners, it also has the potential to create conflicts of interest. To address such conflicts, the investment arrangements are described and agreed upon in the governing documents of the Funds. Generally, investments are made and disposed on the same economic terms for all Investors, including NMS' related parties, so that no one receives more favorable terms or greater exposure to a particular investment. Also, with respect to conflicts of any nature, where available, the Fund can consult with an advisory board of Investors of the applicable Fund.

Portfolio Company Representation

Employees of NMS may serve as directors and officers of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of the Funds, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of NMS and such individual's duties as a director or officer of such portfolio company.

Item 12: Brokerage Practices

NMS will generally not make investments in publicly traded securities. However, to the extent NMS transacts in public securities, or other non-private equity investments, NMS will seek to obtain best execution. NMS intends to select brokers based upon the broker's ability to provide best execution for the Funds.

NMS does not participate in any soft dollar arrangements outside of receiving research available to other institutional investors. Research services received from broker dealers or other third parties are supplemental to NMS' own research effort. To the best of NMS' knowledge, these services are generally made available to all similar institutional investors doing business with such broker-dealers. NMS does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services.

Item 13: Review of Accounts

All investments are carefully reviewed and approved by NMS' investment team, which includes the Managing Partners. The portfolio companies are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities. Employees of NMS also serve on the boards of directors of portfolio companies and thereby exercise oversight of the Funds' investments on a continual basis.

NMS provides each Limited Partner with the following reports in accordance with the terms of the Limited Partnership Agreements: (i) audited annual financial statements including a statement showing the Limited Partners closing capital account balance; (ii) unaudited quarterly financial statements for the Funds and for such quarter showing the Limited Partner's closing capital account balance as of the end of such quarter; and (iii) annual tax information necessary to complete any applicable tax returns. NMS also holds an annual meeting, which may be telephonic, with the Limited Partners.

Item 14: Client Referrals and Other Compensation

We sponsor the formation of each Fund and we do not engage or compensate third party referral agents to solicit new clients for us. In the event that we engage, and will make a cash payment to, any solicitor of clients, we will do so in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

NMS Management, LP may periodically engage in third party placement agents (i.e., solicitors) to introduce prospective investors to the Funds. The fees and expenses of any third party placement agents will be paid by the Funds, but will be reimbursed by NMS Management, LP by offsetting all or a portion of the management fees.

As discussed in Item 5: Fees and Compensation section above, NMS or its affiliates may charge portfolio companies Other Fees. Also, employees of NMS who serve on the board of directors of portfolio companies may receive compensation (in the form of cash, stock options or other equity awards) in their capacity as directors. A percentage of the direct and indirect compensation

received by an employee of NMS in his or her capacities in a portfolio company will be applied as a reduction of the Funds' future management fees in accordance with the terms of the Limited Partnership Agreements.

Item 15: Custody

NMS has access to client accounts (i.e., the Funds) since it or an affiliate serves as the General Partners of the Funds or it is deemed to have custody because of its ability to withdraw its fees directly from the Funds. Limited Partners will not receive statements from any custodians. Instead, the Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Limited Partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year end.

Item 16: Investment Discretion

In accordance with the terms and conditions of the Limited Partnership Agreement, and subject to the direction and control of the General Partners of the Funds, NMS generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Limited Partners, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds. NMS' investment discretion is subject to the Funds' governing documents and any side letters it executes with investors.

Item 17: Voting Client Securities

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, NMS has adopted and implemented written policies and procedures governing the voting of client securities.

The Funds are primarily invested in privately-held portfolio company investments which typically do not issue proxies. NMS will generally not make investments in publicly traded securities. However, upon the rare occasion in which NMS might need to execute a proxy in connection with any publicly traded securities or portfolio companies, NMS' policy is to exercise the proxy vote in the best interest of the Funds, taking into consideration all relevant factors, including without limitation, acting in a manner that NMS believes will (i) maximize the economic benefits to the Funds and (ii) promote sound corporate governance by the issuer.

NMS will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of the Funds on the other. However, as is typical with private equity investing, NMS seeks and accepts the election of a NMS representative to serve on the board of directors on behalf of the Funds and will typically, but not always, vote in favor of board recommendations. In situations where NMS is required to vote the proxy for a company in which employees of NMS serve on the board of directors, NMS has determined that this does not inherently present a conflict of interest, as the sole purpose of this representation is to maximize the return on the Funds' investment in such portfolio company. Accordingly, while NMS is generally, but not automatically, fully supportive of recommendations made by a portfolio company's board of

directors with respect to proxy votes related to that issuer, it will review all proxies in accordance with its proxy voting guidelines and may or may not vote in favor of the board's recommendation.

All conflicts of interest will be resolved in the interests of the Funds. In situations where NMS perceives a material conflict of interest, NMS may seek approval from the Funds' advisory boards to resolve the conflict of interest

All proxies that NMS receives will be treated in accordance with these policies and procedures. A copy of NMS' written proxy voting policies and procedures, as well as a record of how NMS has voted in the past, will be maintained and available for review upon written request.

Item 18: Financial Information

A balance sheet is not required to be provided as NMS (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.