

INVESTMENT ADVISER BROCHURE

H.I.G. CAPITAL, L.L.C.

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of H.I.G. Capital, L.L.C., a Delaware limited liability company (“H.I.G. Capital”). If you have any questions about the contents of this Brochure, please contact us at 305-379-2322 or info@higcapital.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 authority.

H.I.G. Capital is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding H.I.G. Capital is also available on the SEC’s website at www.adviserinfo.sec.gov.

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ADVISORY BUSINESS

H.I.G. is a private investment management firm, including a registered investment advisory entity and other advisory organizations affiliated with H.I.G. Capital, L.L.C., a Delaware limited liability company (“**H.I.G. Capital**” and, together with such affiliated organizations, collectively, “**H.I.G.**”), that manages, as of December 31, 2011, approximately \$8.5 billion in private fund assets. As more fully described below, H.I.G., through such affiliated advisory organizations, focuses on private equity, venture capital, debt/credit, real estate and public equity investments, respectively.

H.I.G. Capital is a registered investment adviser that commenced operations in 1993. H.I.G. Capital and its affiliated investment advisers, H.I.G. Advisors L.L.C., (“**PE Onshore Fund II GP**”), H.I.G. Partners II, L.P. (“**PE Offshore Fund II GP**”), H.I.G. Advisors III L.L.C. (“**PE Onshore Fund III GP**”), H.I.G. Associates III, L.P. (“**PE Offshore Fund III GP**”), H.I.G. Advisors IV, L.L.C. (“**PE Fund IV GP**”), H.I.G. Venture Advisors L.L.C. (“**VC Onshore Fund I GP**”), H.I.G. Venture Associates, L.P. (“**VC Offshore Fund I GP**”), H.I.G. Venture Advisors II, L.P. (“**VC Fund II GP**”), H.I.G. BioVentures Advisors, LLC (“**BioVentures Fund GP**”), H.I.G. Growth Advisors II, LLC (“**Growth Equity Fund GP**”), Bayside Opportunity Advisors, L.L.C. (“**Bayside Fund I GP**”), H.I.G. Bayside Advisors II, L.L.C. (“**Bayside Fund II GP**”), H.I.G. Bayside Loan Advisers, LLC (“**Bayside Loan Opportunity Fund II GP**”), H.I.G. Realty Advisors REF I, LLC (“**RE Fund GP**”), Brightpoint Capital GP, LLC (“**Brightpoint Onshore Fund GP**”), Brightpoint Capital (Cayman) GP Limited (“**Brightpoint Offshore Fund GP**”) and H.I.G. Europe Advisors, L.P. (“**Europe Fund GP**”), and together with PE Onshore Fund II GP, PE Offshore Fund II GP, PE Onshore Fund III GP, PE Offshore Fund III GP, PE Fund IV GP, VC Onshore Fund I GP, VC Offshore Fund I GP, VC Fund II GP, BioVentures Fund GP, Growth Equity Fund GP, Bayside Fund I GP, Bayside Fund II GP, Bayside Loan Opportunity Fund II GP, RE Fund GP, Brightpoint Onshore Fund GP, Brightpoint Offshore Fund GP and Europe Fund GP, the “**General Partners**”), Bayside Capital, Inc. (“**Bayside Fund MC**”), H.I.G. Realty Capital, L.P. (“**RE Fund MC**”), Brightpoint Capital Advisors, LLC (“**Brightpoint Fund MC**” and, together with Bayside Fund MC, RE Fund MC, and the General Partners, the “**Affiliated Advisers**”; the Affiliated Advisers and H.I.G. Capital, collectively, the “**Advisers**”) provide investment advisory services to private investment funds. Each Adviser is registered under the Advisers Act pursuant to H.I.G. Capital’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each Adviser, which operates as a single advisory business together with H.I.G. Capital.

H.I.G. Capital, through its shared control of the Affiliated Advisers, manages the business and affairs of the PE Fund, VC Fund, BioVentures Fund, Growth Equity Fund, Bayside Fund, Brightpoint Fund, and Europe Fund (each as defined below).

As of December 31, 2011, H.I.G. Capital managed approximately \$8.5 billion in client assets on a discretionary basis. H.I.G. Capital is controlled by Sami Mnaymneh and Anthony Tamer (the “**Managing Partners**”). The Principal Owners of H.I.G. Capital are Sami Mnaymneh, Anthony Tamer, Mnaymneh H.I.G. Management LP and Tamer H.I.G. Management LP. Additionally, as more fully described below, in the case of the Funds other than the RE Fund and the Europe Fund, H.I.G.-GPII, Inc., a Delaware corporation, controlled by the Managing Partners (the “**H.I.G. UGP**”) serves as the general partner, manager or sole

shareholder, as applicable, of the general partner of each Fund (or, alternatively, as the manager or general partner of such manager, general partner or sole shareholder). H.I.G. UGP is controlled by its shareholders, Sami Mnaymneh and Anthony Tamer, who are its principal owners. In the case of the RE Fund and the Europe Fund, the Managing Partners, directly or indirectly, control RE Fund GP and RE Fund MC, the general partner and management company of the RE Fund, or Europe Fund GP and Europe Fund MC, the general partner and management of the Europe Fund, respectively.

The Funds and any other Private Investment Funds include private equity, venture capital, debt/credit, real estate and public equity funds. The Funds invest pursuant to and in accordance with the investment criteria and limitations set forth in each Fund's limited partnership agreement (each a "**Limited Partnership Agreement**"). From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of H.I.G. Capital or its affiliates may serve on such portfolio companies' respective boards of directors or otherwise act to influence control over the management of a Fund's portfolio companies. H.I.G. Capital's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. These advisory services are detailed in the applicable private placement memoranda and the supplements thereto (each, a "**Private Placement Memorandum**" and, collectively, the "**Private Placement Memoranda**") and the Limited Partnership Agreements of the Funds, and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss".

The following is a list of the Funds (together with the applicable general partners and management companies) that comprise each PE Fund, VC Fund, BioVentures Fund, Growth Equity Fund, Bayside Fund, RE Fund, Brightpoint Fund, and Europe Fund (each, a "**Fund**," collectively, the "**Funds**" and together with any future private investment fund managed by H.I.G. Capital, the "**Private Investment Funds**"). The investors of the Funds (other than the General Partners), as applicable, are referred to herein as "**Limited Partners**", and the Limited Partners together with the General Partners are referred to herein as the "**Partners**". Investors should refer to the applicable Limited Partnership Agreement for specific terms with respect to such Fund.

PE Funds II-IV

PE Onshore Fund II GP, a Delaware limited liability company, is the general partner of H.I.G. Capital Partners II, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, "**PE Onshore Fund II**"). PE Offshore Fund II GP, a Cayman Islands exempted limited partnership, is the general partner of H.I.G. Investment Group II, L.P., a Cayman Islands exempted limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, "**PE Offshore Fund II**", together with PE Onshore Fund II, "**PE Fund II**"). H.I.G. UGP is the manager of PE Onshore Fund II GP and the general partner of PE Offshore Fund II GP. PE Onshore Fund III GP, a Delaware limited liability company, is the general partner of H.I.G. Capital Partners III, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, "**PE Onshore Fund III**"). PE Offshore Fund III GP, a Cayman Islands exempted limited partnership, is the

general partner of H.I.G. Investment Group III, L.P., a Cayman Islands exempted limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**PE Offshore Fund III**”, together with PE Onshore Fund II, “**PE Fund III**”). H.I.G. UGP is the manager of PE Onshore Fund III GP and the general partner of PE Offshore Fund VI GP. PE Fund IV GP, a Delaware limited liability company, is the general partner of H.I.G. Capital Partners IV, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**PE Fund IV**” and, together with PE Fund II and PE Fund III, the “**PE Funds**”). H.I.G. UGP is the manager of PE Fund IV GP. H.I.G. Capital serves as the management company of the PE Funds.

VC Funds I and II

VC Onshore Fund I GP, a Delaware limited liability company, is the general partner of H.I.G. Venture Partners, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**VC Onshore Fund I**”). VC Offshore Fund I GP, a Cayman Islands exempted limited partnership, is the general partner of H.I.G. Venture Investments, L.P., a Cayman Islands exempted limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**VC Offshore Fund I**”, together with VC Onshore Fund I, “**VC Fund I**”). H.I.G. UGP is the manager of VC Onshore Fund I GP and the general partner of VC Offshore Fund I GP. VC Fund II GP, a Delaware limited liability company, is the general partner of H.I.G. Venture Partners II, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**VC Fund II**” and, together with VC Fund I the “**VC Funds**”). H.I.G. UGP is the manager of VC Fund II GP. H.I.G. Capital serves as the management company of the VC Funds.

BioVentures Fund

BioVentures Fund GP, a Delaware limited partnership, is the general partner of H.I.G. BioVentures II, LP, a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**BioVentures Fund**”). H.I.G. UGP is the manager of BioVentures Fund GP. H.I.G. Capital serves as the management company of the BioVentures Fund.

Growth Equity Fund

Growth Equity Fund GP, a Delaware limited liability company, is the general partner of H.I.G. Growth Buyouts & Equity Fund II, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Growth Equity Fund**”). H.I.G. UGP is the manager of Growth Equity Fund GP. H.I.G. Capital serves as the management company of the Growth Equity Fund.

Bayside Funds

Bayside Fund I GP, a Delaware limited liability company, is the general partner of H.I.G. Bayside Opportunity Fund, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Bayside Fund I**”). H.I.G. UGP is the manager of Bayside Fund I GP. Bayside Fund II GP, a Delaware limited

liability company, is the general partner of (x) H.I.G. Bayside Debt & LBO Fund II, L.P., a Delaware limited partnership and (y) H.I.G. Bayside II AIV, L.P., a Delaware limited partnership (together with any feeder vehicles, other alternative investment vehicles and other special purpose entities, “**Bayside Fund II**”). H.I.G. UGP is the manager of Bayside Fund II GP. Bayside Loan Opportunity Fund II GP, a Delaware limited liability company and qualified Cayman Islands foreign company, is the general partner of (x) H.I.G. Bayside Loan Opportunity Fund II, L.P., a Delaware limited partnership and (y) H.I.G. Bayside Loan Opportunity Cayman Fund, L.P., a Cayman Islands exempted limited partnership (collectively, together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Bayside Loan Opportunity Fund II**” and, together with Bayside Fund and Bayside Fund II, the “**Bayside Funds**”). H.I.G. UGP is the manager of Bayside Loan Opportunity Fund GP. Bayside Fund MC, a Florida corporation, serves as the management company of the Bayside Funds.

RE Fund

RE Fund GP, a Delaware limited liability company, is the general partner of H.I.G. Realty Capital, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, the “**RE Fund**”). RE Fund MC, a Delaware limited partnership, serves as the management company of the RE Fund.

Brightpoint Funds

Brightpoint Onshore Fund GP, a Delaware limited liability company, is the general partner of H.I.G. Brightpoint Capital Partners, LP, a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Brightpoint Onshore Fund**”). Brightpoint Offshore Fund GP, a Cayman Islands exempted company, is the general partner of H.I.G. Brightpoint Capital Partners (Cayman), L.P., a Cayman Islands exempted limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Brightpoint Offshore Fund**”) and Brightpoint Capital Partners Master Fund, L.P., a Cayman Islands exempted limited partnership (“**Brightpoint Master Fund**” and, together with Brightpoint Onshore Fund and Brightpoint Offshore Fund, collectively, the “**Brightpoint Funds**”). H.I.G. UGP is the manager of Brightpoint Capital GP Holdings, LLC, a Delaware limited liability company that is the sole shareholder of Brightpoint Offshore Fund GP. Brightpoint Fund MC, a Delaware limited partnership, serves as the management company of the Brightpoint Domestic Funds. H.I.G. UGP is the manager of Brightpoint Advisors Management, LLC, a Delaware limited liability company that is the manager of Brightpoint Fund MC.

Europe Fund

Europe Fund GP, a Cayman Islands exempted limited partnership, is the general partner of H.I.G. Europe Capital Partners, L.P., a Cayman Islands exempted limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, the “**Europe Fund**”). H.I.G. Capital is the management company of the Europe Fund. The Managing Partners control H.I.G. Europe Capital Partners GP, Ltd., a Cayman Islands exempted company (the “**Europe UGP**”) and the general partner of Europe Fund GP.

H.I.G. Capital's advisory services for the Private Investment Funds are further detailed in the applicable private placement memoranda and the supplements thereto (each, a "**Private Placement Memorandum**" and, collectively, the "**Private Placement Memoranda**") and the Limited Partnership Agreements of the Funds and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Private Investment Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. The Funds or the Advisers have entered into side letters or other similar agreements with certain investors that have the effect of establishing rights under or altering or supplementing the Funds' Limited Partnership Agreements. The advisory services of H.I.G. Capital are described herein.

FEES AND COMPENSATION

In general, H.I.G. Capital receives management fees ("**Management Fee**") from the Funds in connection with advisory services it provides them. H.I.G. Capital or other H.I.G. entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds and such additional compensation offsets in whole or in part the Management Fee otherwise payable to H.I.G. Capital. Limited Partners in the Funds also bear certain fund expenses. As further described below, certain operating partners who provide services to (or with respect to) certain portfolio companies in which one or more Funds invest may receive compensation and such compensation will not result in additional offsets to the Management Fee.

Management Fees and Expenses

PE Onshore Fund II

PE Onshore Fund II no longer pays a Management Fee.

PE Offshore Fund II

PE Offshore Fund II no longer pays a Management Fee.

PE Fund II pays (or reimburses PE Fund II GP or H.I.G. Capital) for reasonable expenses incurred in connection with the organization and startup of PE Fund II, including legal, accounting, filing, capital raising and other organizational expenses, in an aggregate amount not to exceed \$800,000. Organizational expenses in excess of this amount, if any, will be borne by PE Fund II GP. Limited Partners will not bear any private placement fees.

H.I.G. Capital pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by H.I.G. Capital (to the extent not reimbursed by a portfolio company) in respect of PE Fund II or an investment by PE Fund II. PE Fund II pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of PE Fund II financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all

third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

PE Onshore Fund III

PE Onshore Fund III pays H.I.G. Capital, in advance and on a quarterly basis, a Management Fee equal to 2% of the result of (i) the aggregate capital contributions made by all Partners as of the first day of the applicable three-month period, minus (ii) the aggregate amount of distributions constituting a return of capital (*i.e.*, a distribution other than net realized profits or net short-term profits) minus (iii) the aggregate amount of any permanent write downs to the extent distributions have not been made with respect thereto, in each case as determined on the first day of the period with respect to which a determination is being made. Installments of the Management Fee payable by PE Onshore Fund III for any period other than a full three-month period is adjusted on a *pro rata* basis according to the actual number of days in such period.

The PE Onshore Fund III GP applies 100% of any directors fees and 50% of any Net Fees (defined below) to reduce the Management Fee for the three-month period immediately succeeding the three-month period in which any such director fees or Net Fees were received by the PE Onshore Fund III GP, H.I.G. Capital or their partners, members, officers or employees, as the case may be. In the event that the amount of director fees or Net Fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, such excess reduces the Management Fee payable in the following three-month periods. In addition, PE Onshore Fund III GP may reduce the Management Fee in any three-month period by the aggregate amount of all private placement fees paid to third parties in connection with the organization and funding of the applicable Fund during the immediately preceding period. In the event that the aggregate amount of fees and expenses referred to in the preceding sentence, together with directors fees and Net Fees applied against the Management Fee during such period, exceeds the Management Fee for such period, such excess reduces the Management Fee payable in the following three-month periods. If a parallel investment fund has co-invested (or committed to co-invest) side-by-side with the Fund in a portfolio company, any directors fees or Net Fees will be allocated between the Fund and such parallel investment fund in proportion to the cost of securities in such portfolio company held (or committed to be held) by each. The PE Onshore Fund III GP and its affiliates are permitted to retain all corporate services fees and all investment banking fees, which fees are not be applied to reduce the Management Fee.

For purposes of this Brochure, “**Net Fees**” means all fee income received (whether in the form of cash, securities or otherwise) by the applicable Fund’s general partner, management company or their partners, members, managers, officers, employees or affiliates with respect to any portfolio company investment (but with respect to non-cash consideration, only to the extent of the net cash proceeds thereof as and when received by such persons), net of out-of-pocket expenses; “Net Fees” do not include (i) management service, monitoring, advisory and consulting fees and other similar fees (net of unreimbursed out-of-pocket expenses) in each case in amounts that are reasonable in relation to the cost of obtaining similar services from third parties (*i.e.*, “corporate service fees”), (ii) directors fees or (iii) investment banking fees.

The Management Fee payable by PE Onshore Fund III on a Management Fee payment date is reduced by an amount equal to the lesser of (i) the amount of the Management Fee that

the PE Onshore Fund III GP has irrevocably elected to waive in a written notice delivered to PE Onshore Fund III and (ii) the amount that would be payable to the PE Onshore Fund III GP on such Management Fee payment date. Waived Management Fees are not subject to the Management Fee offsets described above.

PE Offshore Fund III

PE Offshore Fund III pays H.I.G. Capital, in advance and on a quarterly basis, a Management Fee equal to 2% of the result of (i) the aggregate capital contributions made by all Partners as of the first day of the applicable calendar year, minus (ii) the aggregate amount of distributions constituting a return of capital (*i.e.*, a distribution other than net realized profits or net short-term profits) minus (iii) the aggregate amount of any permanent write downs to the extent distributions have not been made with respect thereto, in each case as determined on the first day of the period with respect to which a determination is being made. Installments of the Management Fee payable by PE Offshore Fund III for any period other than a full calendar year is adjusted on a *pro rata* basis according to the actual number of days in such period.

The Management Fee payable by PE Offshore Fund III on a Management Fee payment date is reduced by an amount equal to the lesser of (i) the amount of the Management Fee that the PE Offshore Fund III GP has irrevocably elected to waive in a written notice delivered to PE Offshore Fund III and (ii) the amount that would be payable to the PE Offshore Fund III GP on such Management Fee payment date. Due to any such waiving of Management Fees and/or timing of receipt of compensation subject to offsets, it is possible that Management Fee offsets will not be fully realized by investors in PE Offshore Fund III, resulting in an additional benefit to the PE Offshore Fund III GP.

PE Fund III pays (or reimburses PE Fund III GP or H.I.G. Capital) for reasonable expenses incurred in connection with the organization and startup of PE Fund III, including legal, accounting, filing, capital raising and other organizational expenses, in an aggregate amount not to exceed \$800,000. Organizational expenses in excess of this amount, if any, will be borne by PE Fund III GP. Limited Partners will not bear any private placement fees.

H.I.G. Capital pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by H.I.G. Capital (to the extent not reimbursed by a portfolio company) in respect of PE Fund III or an investment by PE Fund III. PE Fund III pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of PE Fund III financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

PE Fund IV

PE Fund IV pays H.I.G. Capital an annual Management Fee, payable quarterly in advance, equal to 2% of the aggregate PE Fund IV capital commitments. After the date that is the earlier of January 1, 2013 or the date upon which all of the capital commitments have been invested or otherwise funded, PE Fund IV will pay H.I.G. Capital a reduced annual Management Fee, payable semi-annually in advance, equal to 2% of (i) the aggregate capital contributions made by all Partners as of the first day of the applicable three-month period, minus (ii) the aggregate amount of distributions constituting a return of capital (*i.e.*, a distribution other than net realized profits or net short-term profits) minus (iii) the aggregate amount of any permanent write downs to the extent distributions have not been made with respect thereto, in each case as determined on the first day of the period with respect to which a determination is being made. Installments of the Management Fee payable for any period other than a full three-month period is adjusted on a *pro rata* basis according to the actual number of days in such period.

The Management Fee commenced as of the effective date of PE Fund IV, January 1, 2007, based on total commitments, regardless of when a Limited Partner is actually admitted. Limited Partners who have participated in a subsequent closing after since January 1, 2007, are assessed Management Fees retroactive to January 1, 2007 and, in addition, are charged interest on such amounts at the prime rate plus 2% from January 1, 2007. The Management Fee is paid out of current income and disposition proceeds of PE Fund IV and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

The PE Fund IV GP applies 100% of any directors fees and 50% of any Net Fees to reduce the Management Fee for the three-month period immediately succeeding the three-month period in which any such director fees or Net Fees were received by the PE Fund IV GP, H.I.G. Capital or their partners, members, officers or employees, as the case may be. In the event that the amount of director fees or Net Fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, such excess reduces the Management Fee payable in the following three-month periods. In addition, PE Fund IV GP may reduce the Management Fee in any three-month period by the aggregate amount of all private placement fees paid to third parties in connection with the organization and funding of the applicable Fund during the immediately preceding period. In the event that the aggregate amount of fees and expenses referred to in the preceding sentence, together with directors fees and Net Fees applied against the Management Fee during such period, exceeds the Management Fee for such period, such excess reduces the Management Fee payable in the following three-month periods. If a parallel investment fund has co-invested (or committed to co-invest) side-by-side with the Fund in a portfolio company, any directors fees or Net Fees will be allocated between the Fund and such parallel investment fund in proportion to the cost of securities in such portfolio company held (or committed to be held) by each. The PE Fund IV GP and its affiliates are permitted to retain all corporate services fees and all investment banking fees, which fees are not be applied to reduce the Management Fee.

The Management Fee payable on a Management Fee payment date is further reduced by an amount equal to the lesser of (i) the amount of the Management Fee that the PE Fund IV GP has irrevocably elected to waive in a written notice delivered to PE Fund IV and (ii) the amount that would be payable to the PE Fund IV GP on such Management Fee payment date. Waived

Management Fees are not subject to the Management Fee offsets. Due to any such waiving of Management Fees and/or timing of receipt of compensation subject to offsets, it is possible that Management Fee offsets will not be fully realized by investors in PE Fund IV, resulting in an additional benefit to the PE Fund IV GP.

PE Fund IV pays (or reimburses PE Fund IV GP or H.I.G. Capital) for reasonable expenses incurred in connection with the organization and startup of PE Fund IV, including legal, accounting, filing, capital raising and other organizational expenses, in an aggregate amount not to exceed \$800,000. Organizational expenses in excess of this amount, if any, will be borne by PE Fund IV GP. Limited Partners will not bear any private placement fees.

H.I.G. Capital pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by H.I.G. Capital (to the extent not reimbursed by a portfolio company) in respect of PE Fund IV or an investment by PE Fund IV. PE Fund IV pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of PE Fund IV financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

VC Onshore Fund I

VC Onshore Fund I no longer pays any Management Fees.

VC Onshore Fund I reimburses VC Onshore Fund I GP for organizational expenses up to an aggregate amount not to exceed an amount equal to \$800,000. The aggregate amount of all organizational expenses paid by VC Onshore Fund I are taken into account in determining net short-term profit and net short-term loss in equal installments over the 60-month period commencing on the effective date of VC Onshore Fund I. H.I.G. Capital pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by H.I.G. Capital (to the extent not reimbursed by a portfolio company) in respect of VC Onshore Fund I or an investment by VC Onshore Fund I. VC Onshore Fund I pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of VC Onshore Fund I financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

VC Offshore Fund I

VC Offshore Fund I no longer pays a Management Fee.

VC Offshore Fund I reimburses VC Offshore Fund I GP for organizational expenses up to an aggregate amount not to exceed an amount equal to \$800,000. The aggregate amount of all organizational expenses paid by VC Offshore Fund I are taken into account in determining net short-term profit and net short-term loss in equal installments over the 60-month period commencing on the effective date of VC Offshore Fund I. H.I.G. Capital pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by H.I.G. Capital (to the extent not reimbursed by a portfolio company) in respect of VC Offshore Fund I or an investment by VC Offshore Fund I. VC Offshore Fund I pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of VC Offshore Fund I financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

VC Fund II

VC Fund II pays H.I.G. Capital an annual Management Fee, payable quarterly in advance, equal to 2.25% of (i) the aggregate capital contributions made by all Partners as of the first day of the applicable three-month period, minus (ii) the aggregate amount of distributions constituting a return of capital (*i.e.*, a distribution other than net realized profits or net short-term profits) minus (iii) the aggregate amount of any permanent write downs to the extent distributions have not been made with respect thereto, in each case as determined on the first day of the period with respect to which a determination is being made. Installments of the Management Fee payable for any period other than a full three-month period is adjusted on a *pro rata* basis according to the actual number of days in such period.

The Management Fee commenced as of the initial closing of VC Fund II, January 1, 2005, based on total commitments, regardless of when a Limited Partner is actually admitted. Limited Partners who have participated in a subsequent closing after since January 1, 2005, are assessed Management Fees retroactive to January 1, 2005 and, in addition, are charged interest on such amounts at the prime rate plus 2% from January 1, 2005. The Management Fee is paid out of current income and disposition proceeds of VC Fund II and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

VC Fund II GP applies 100% of any directors fees and any Net Fees to reduce the Management Fee for the three-month period immediately succeeding the three-month period in which any such director fees or Net Fees were received by the VC Fund II GP, H.I.G. Capital or their partners, members, officers or employees, as the case may be. In the event that the amount of director fees or Net Fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, such excess reduces the Management Fee payable in the following three-month periods. In addition, VC Fund II GP may reduce the Management Fee in any three-month period by the aggregate amount of all private placement fees paid to third parties in connection with the organization and funding of the applicable Fund during the immediately preceding period. In the event that the aggregate amount of fees and

expenses referred to in the preceding sentence, together with directors fees and Net Fees applied against the Management Fee during such period, exceeds the Management Fee for such period, such excess reduces the Management Fee payable in the following three-month periods. If a parallel investment fund has co-invested (or committed to co-invest) side-by-side with the Fund in a portfolio company, any directors fees or Net Fees will be allocated between the Fund and such parallel investment fund in proportion to the cost of securities in such portfolio company held (or committed to be held) by each. The VC Fund II GP and its affiliates are permitted to retain all corporate services fees and all investment banking fees, which fees are not be applied to reduce the Management Fee.

The Management Fee payable on a Management Fee payment date is further reduced by an amount equal to the lesser of (i) the amount of the Management Fee that the VC Fund II GP has irrevocably elected to waive in a written notice delivered to VC Fund II and (ii) the amount that would be payable to the VC Fund II GP on such Management Fee payment date. Waived Management fees are not subject to the Management Fee offsets. Due to any such waiving of Management Fees and/or timing of receipt of compensation subject to offsets, it is possible that Management Fee offsets will not be fully realized by investors in VC Fund II, resulting in an additional benefit to the VC Fund II GP.

VC Fund II reimburses VC Fund II GP for organizational expenses up to an aggregate amount not to exceed an amount equal to \$800,000. The aggregate amount of all organizational expenses paid by VC Fund II are taken into account in determining net short-term profit and net short-term loss in equal installments over the 60-month period commencing on the effective date of VC Fund II.

H.I.G. Capital pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by H.I.G. Capital (to the extent not reimbursed by a portfolio company) in respect of VC Fund II or an investment by VC Fund II. VC Fund II pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of VC Fund II financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

BioVentures Fund

BioVentures Fund pays H.I.G. Capital an annual Management Fee, payable quarterly in advance, equal to 2% of (i) the aggregate capital contributions made by all Partners as of the first day of the applicable three-month period, minus (ii) the aggregate amount of distributions constituting a return of capital (*i.e.*, a distribution other than net realized profits or net short-term profits) minus (iii) the aggregate amount of any permanent write downs to the extent distributions have not been made with respect thereto, in each case as determined on the first day of the period with respect to which a determination is being made. Installments of the

Management Fee payable for any period other than a full three-month period is adjusted on a *pro rata* basis according to the actual number of days in such period.

The Management Fee commenced as of the initial closing of BioVentures Fund, January 21, 2011, based on total commitments, regardless of when a Limited Partner is actually admitted. Limited Partners who have participated in a subsequent closing after since January 21, 2011, are assessed Management Fees retroactive to January 21, 2011 and, in addition, are charged interest on such amounts at the prime rate plus 2% from January 21, 2011. The Management Fee is paid out of current income and disposition proceeds of BioVentures Fund and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

BioVentures Fund GP applies 100% of any directors fees and any Net Fees to reduce the Management Fee for the three-month period immediately succeeding the three-month period in which any such director fees or Net Fees were received by the BioVentures Fund GP, H.I.G. Capital or their partners, members, officers or employees, as the case may be. In the event that the amount of director fees or Net Fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, such excess reduces the Management Fee payable in the following three-month periods. In addition, BioVentures Fund GP may reduce the Management Fee in any three-month period by the aggregate amount of all private placement fees paid to third parties in connection with the organization and funding of the applicable Fund during the immediately preceding period. In the event that the aggregate amount of fees and expenses referred to in the preceding sentence, together with directors fees and Net Fees applied against the Management Fee during such period, exceeds the Management Fee for such period, such excess reduces the Management Fee payable in the following three-month periods. If a parallel investment fund has co-invested (or committed to co-invest) side-by-side with the Fund in a portfolio company, any directors fees or Net Fees will be allocated between the Fund and such parallel investment fund in proportion to the cost of securities in such portfolio company held (or committed to be held) by each.

BioVentures Fund pays (or reimburses BioVentures Fund GP or H.I.G. Capital) for organizational expenses up to an aggregate amount not to exceed an amount equal to \$500,000. The aggregate amount of all organizational expenses paid by BioVentures Fund are taken into account in determining net short-term profit and net short-term loss in equal installments over the 180-month period commencing on the effective date of BioVentures Fund.

H.I.G. Capital pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by H.I.G. Capital (to the extent not reimbursed by a portfolio company) in respect of BioVentures Fund or an investment by BioVentures Fund. BioVentures Fund pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of Fund financial statements, tax returns and tax reporting to the Partners), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

Growth Equity Fund

Growth Buyouts Fund pays H.I.G. Capital an annual Management Fee, payable quarterly in advance, equal to 2% of (i) the aggregate capital contributions made by all Partners as of the first day of the applicable three-month period, minus (ii) the aggregate amount of distributions constituting a return of capital (*i.e.*, a distribution other than net realized profits or net short-term profits) minus (iii) the aggregate amount of any permanent write downs to the extent distributions have not been made with respect thereto, in each case as determined on the first day of the period with respect to which a determination is being made. Installments of the Management Fee payable for any period other than a full three-month period is adjusted on a *pro rata* basis according to the actual number of days in such period.

The Management Fee commenced as of as of the initial closing of Growth Equity Fund, June 30, 2011, based on total commitments, regardless of when a Limited Partner was actually admitted. Limited Partners participating in a subsequent closing after June 30, 2011 are assessed Management Fees retroactive to June 30, 2011 and, in addition, will be charged interest on such amounts at the prime rate plus 2% from June 30, 2011. Any such amounts are paid to Growth Equity Fund GP. The Management Fee is paid out of current income and disposition proceeds of the fund and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

Growth Equity Fund GP applies 100% of any directors fees and 50% of any Net Fees to reduce the Management Fee for the three-month period immediately succeeding the three-month period in which any such director fees or Net Fees were received by Growth Equity Fund GP, H.I.G. Capital or their partners, members, officers or employees, as the case may be. In the event that the amount of director fees or Net Fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, such excess is carried forward to reduce the Management Fee payable in the following three-month periods. In addition, Growth Equity Fund GP reduces the Management Fee in any three-month period by the aggregate amount of all private placement fees paid to third parties in connection with the organization and funding of Growth Equity Fund during the immediately preceding period. In the event that the aggregate amount of fees and expenses referred to in the preceding sentence, together with directors fees and Net Fees applied against the Management Fee during such period, exceeds the Management Fee for such period, such excess is carried forward to reduce the Management Fee payable in the following three-month periods. To the extent of any such excess remaining unapplied upon dissolution of Growth Buyouts Fund, each Partner receives from Growth Buyouts Fund GP its *pro rata* share (based on commitments) of such excess, unless such Partner notifies Growth Buyouts Fund GP in writing of its irrevocable election not to receive its *pro rata* share of such excess.

The Management Fee payable on a Management Fee payment date is further reduced by an amount equal to the lesser of (i) the amount of the Management Fee that the Growth Equity Fund GP has irrevocably elected to waive in a written notice delivered to Growth Equity Fund and (ii) the amount that would be payable to the Growth Equity Fund GP on such Management Fee payment date. Waived Management fees are not subject to the Management Fee offsets. Due to any such waiving of Management Fees and/or timing of receipt of compensation subject to offsets, it is possible that Management Fee offsets will not be fully realized by investors in Growth Equity Fund, resulting in an additional benefit to the Growth Equity Fund GP.

Growth Equity Fund pays (or reimburses Growth Equity Fund GP or H.I.G. Capital) for organizational expenses up to an aggregate amount not to exceed \$1,000,000. The aggregate amount of all organizational expenses paid by Growth Equity Fund are taken into account in determining net short-term profit and net short-term loss in equal installments over the 180-month period commencing on the effective date of Growth Equity Fund.

H.I.G. Capital pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by H.I.G. Capital (to the extent not reimbursed by a portfolio company) in respect of Growth Equity Fund or an investment by Growth Equity Fund. Growth Equity Fund pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of Fund financial statements, tax returns and tax reporting to the Partners), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

Bayside Fund I

Bayside Fund I pays Bayside Fund MC an annual Management Fee, payable quarterly in advance, equal to 2% of (i) the aggregate funded capital commitments less (ii) distributions constituting returns of capital. Installments of the Management Fee payable for any period other than a three-month period is adjusted on a *pro rata* basis according to the actual number of days in such period.

The Management Fee commenced as of the initial closing of Bayside Fund I, June 4, 2004, based on total commitments, regardless of when a Limited Partner is actually admitted. Limited Partners who have participated in a subsequent closing after since June 4, 2004, are assessed Management Fees retroactive to June 4, 2004 and, in addition, are charged interest on such amounts at the prime rate plus 2% from June 4, 2004. The Management Fee is paid out of current income and disposition proceeds of Bayside Fund I and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

The Bayside Fund I GP applies 100% of any directors fees and 50% of any Net Fees to reduce the Management Fee for the three-month period immediately succeeding the three-month period in which any such director fees or Net Fees were received by the Bayside Fund I GP, Bayside Fund MC or their partners, members, officers or employees, as the case may be. In the event that the amount of director fees or Net Fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, such excess reduces the Management Fee payable in the following three-month periods. In addition, Bayside Fund I GP may reduce the Management Fee in any three-month period by the aggregate amount of all private placement fees paid to third parties in connection with the organization and funding of the applicable Fund during the immediately preceding period. In the event that the aggregate amount of fees and expenses referred to in the preceding sentence, together with directors fees and Net Fees applied against the Management Fee during such period, exceeds the Management Fee for such period, such excess reduces the Management Fee payable in the following three-

month periods. if a parallel investment fund has co-invested (or committed to co-invest) side-by-side with the Fund in a portfolio company, any directors fees or Net Fees will be allocated between the Fund and such parallel investment fund in proportion to the cost of securities in such portfolio company held (or committed to be held) by each. The Bayside Fund I GP and its affiliates are permitted to retain all corporate services fees and all investment banking fees, which fees are not be applied to reduce the Management Fee.

The Management Fee payable on a Management Fee payment date is further reduced by an amount equal to the lesser of (i) the amount of the Management Fee that the Bayside Fund I GP has irrevocably elected to waive in a written notice delivered to Bayside Fund I and (ii) the amount that would be payable to the Bayside Fund I GP on such Management Fee payment date. Waived Management fees are not subject to the Management Fee offsets. Due to any such waiving of Management Fees and/or timing of receipt of compensation subject to offsets, it is possible that Management Fee offsets will not be fully realized by investors in Bayside Fund I, resulting in an additional benefit to the Bayside Fund I GP.

The Management Fee is further reduced in the circumstances and by the amounts described in the Limited Partnership Agreement.

Bayside Fund I pays (or reimburses the Bayside Fund GP I or Bayside Fund MC) for reasonable expenses incurred in connection with the organization and startup of Bayside Fund I, including legal, accounting, filing, capital raising and other organizational expenses, in an aggregate amount not to exceed \$800,000. Organizational expenses in excess of this amount, if any, will be borne by Bayside Fund I. Limited Partners will not bear any private placement fees.

Bayside Fund MC pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by Bayside Fund MC (to the extent not reimbursed by a portfolio company) in respect of Bayside Fund I or an investment by Bayside Fund I. Bayside Fund I pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of Bayside Fund I financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

Bayside Fund II

Bayside Fund II pays Bayside Fund MC an annual Management Fee, payable quarterly in advance, equal to 2% of the aggregate Bayside Fund II capital commitments. After the date that is the earlier of June 3, 2014 and the date on which all capital commitments have been invested or otherwise funded, Bayside Fund II will pay Bayside Fund MC an annual Management Fee, payable quarterly in advance, equal to 2% of (i) the aggregate funded capital commitments less (ii) distributions constituting returns of capital. Installments of the Management Fee payable for any period other than a full three-month period is adjusted on a *pro rata* basis according to the actual number of days in such period.

The Management Fee commenced as of the effective date of Bayside Fund II, June 3, 2008, based on total commitments, regardless of when a Limited Partner is actually admitted. Limited Partners who have participated in a subsequent closing after June 3, 2008, are assessed Management Fees retroactive to June 3, 2008 and, in addition, are charged interest on such amounts at the prime rate plus 2% from June 3, 2008. The Management Fee is paid out of current income and disposition proceeds of Bayside Fund II and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

The Management Fee is reduced by (i) 100% of Bayside Fund II's share of directors' fees paid by portfolio companies to partners or employees of Bayside Fund II GP or Bayside Fund MC and (ii) 50% of all Net Fee income received by Bayside Fund II GP, Bayside Fund MC or their partners or employees from portfolio companies or prospective portfolio companies (other than income described in clauses (a) and (b) below). To the extent any application of the foregoing sentence would reduce the Management Fee for a given quarter below zero, such credit against the Management Fee will be held for future application. Bayside Fund II GP and Bayside Fund MC are permitted to retain (a) management services fees or advisory or consulting fees paid by any portfolio company in an amount that is reasonable in relation to the cost of obtaining similar services from third parties, and (b) investment banking fees up to 1% of the transaction value relating to any portfolio company, and such fees will not reduce the Management Fee.

The Management Fee payable on a Management Fee payment date is further reduced by an amount equal to the lesser of (i) the amount of the Management Fee that the Bayside Fund II GP has irrevocably elected to waive in a written notice delivered to Bayside Fund II and (ii) the amount that would be payable to the Bayside Fund II GP on such Management Fee payment date. Waived Management fees are not subject to the Management Fee offsets. Due to any such waiving of Management Fees and/or timing of receipt of compensation subject to offsets, it is possible that Management Fee offsets will not be fully realized by investors in Bayside Fund II, resulting in an additional benefit to the Bayside Fund II GP.

Bayside Fund II reimburses the Bayside Fund II GP for organizational expenses up to an aggregate amount not to exceed an amount equal to \$2,000,000. The aggregate amount of all organizational expenses paid by Bayside Fund II are taken into account in determining net short-term profit and net short-term loss in equal installments over the 180-month period commencing on the effective date of Bayside Fund II.

Bayside Fund MC pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by Bayside Fund MC (to the extent not reimbursed by a portfolio company) in respect of Bayside Fund II or an investment by Bayside Fund II. Bayside Fund II pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of Bayside Fund II financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

Bayside Loan Opportunity Fund II

Bayside Loan Opportunity Fund II pays Bayside Fund MC an annual management fee, payable quarterly in advance, equal to 2% of the aggregate capital commitments. After the date that is the earlier of May 28, 2014 and the date on which all of the capital commitments have been invested or otherwise funded, Bayside Loan Opportunity Fund II will pay Bayside Fund MC an annual management fee, payable quarterly in advance, equal to 2% of (i) aggregate capital contributions *less* (ii) distributions constituting returns of capital.

The Management Fee commenced as of the effective date of Bayside Loan Opportunity Fund II, July 1, 2010, based on total commitments, regardless of when a Limited Partner is actually admitted. Limited Partners who have participated in a subsequent closing after since July 1, 2010, are assessed Management Fees retroactive to July 1, 2010 and, in addition, are charged interest on such amounts at the prime rate plus 2% from July 1, 2010. The Management Fee is paid out of current income and disposition proceeds of Bayside Loan Opportunity Fund II and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

The Bayside Loan Opportunity Fund II GP applies 100% of any directors fees and 50% of any Net Fees to reduce the Management Fee for the three-month period immediately succeeding the three-month period in which any such director fees or Net Fees were received by the Bayside Loan Opportunity Fund II, Bayside Fund MC or their partners, members, officers or employees, as the case may be. In the event that the amount of director fees or Net Fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, such excess reduces the Management Fee payable in the following three-month period. In addition, Bayside Loan Opportunity Fund II may reduce the Management Fee in any three-month period by the aggregate amount of all private placement fees paid to third parties in connection with the organization and funding of the applicable Fund during the immediately preceding period. In the event that the aggregate amount of fees and expenses referred to in the preceding sentence, together with directors fees and Net Fees applied against the Management Fee during such period, exceeds the Management Fee for such period, such excess reduces the Management Fee payable in the following three-month period. If a parallel investment fund has co-invested (or committed to co-invest) side-by-side with the Fund in a portfolio company, any directors fees or Net Fees will be allocated between the Fund and such parallel investment fund in proportion to the cost of securities in such portfolio company held (or committed to be held) by each. The Bayside Loan Opportunity Fund II and its affiliates are permitted to retain all corporate services fees and all investment banking fees, which fees are not be applied to reduce the Management Fee.

Installments of the Management Fee payable for any period other than a full three-month period is adjusted on a *pro rata* basis according to the actual number of days in such period.

Bayside Loan Opportunity Fund II reimburses Bayside Loan Opportunity Fund GP for organizational expenses up to an aggregate amount not to exceed \$1,000,000. The aggregate amount of all organizational expenses paid by Bayside Loan Opportunity Fund II are taken into account in determining net short-term profit and net short-term loss in equal installments over the 180-month period commencing on the effective date of Bayside Loan Opportunity Fund II.

Bayside Fund MC pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by Bayside Fund MC (to the extent not reimbursed by a portfolio company) in respect of Bayside Fund II or an investment by Bayside Fund II. Bayside Fund II pays all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of Bayside Fund II financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

RE Fund

RE Fund pays RE Fund MC an annual Management Fee, payable quarterly in advance, equal to 2% of (i) the aggregate funded capital commitments less (ii) distributions constituting returns of capital.

The Management Fee commenced as of the initial closing of RE Fund, June 26, 2006, based on total commitments, regardless of when a Limited Partner is actually admitted. Limited Partners who have participated in a subsequent closing after since June 26, 2006, are assessed Management Fees retroactive to June 26, 2006 and, in addition, are charged interest on such amounts at the prime rate plus 2% from June 26, 2006. The Management Fee is paid out of current income and disposition proceeds of RE Fund and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

RE Fund reimburses the RE Fund GP for RE Fund's *pro rata* share of all organizational expenses. RE Fund is responsible for and pays (or reimburse the RE Fund GP or the RE Fund MC) for reasonable expenses incurred in connection with the business of the Fund, including, without limitation: (a) all expenses of organizing, starting-up and closing the Fund and offering the interests in the Fund to potential investors, including legal, accounting, filing, capital raising and other expenses (provided that the Limited Partners do not bear any private placement fees) and (b) all costs and expenses relating to the activities of the Fund (to the extent not reimbursed by a RE Fund portfolio investment), including the Management Fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of Fund financial statements, tax returns and K-1s), expenses of the advisory board and annual meetings of the Limited Partners, insurance and expenses associated with the identification, evaluation, acquisition, holding, valuation and disposition of Fund investments, all expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any). RE Fund is not be responsible, however, for the compensation of employees and office overhead and administrative expenses of RE Fund GP, RE Fund MC or any of their affiliated entities.

Brightpoint Domestic Fund

Brightpoint Domestic Fund pays Brightpoint Fund MC a Management Fee quarterly in advance as of the first day of each calendar quarter at a per annum rate of 2% of the Brightpoint Domestic Fund's net asset value. The Management Fee is calculated based on the net asset value

of both the public portfolio and the special investments portfolio. With respect to that portion of the Management Fee that is based on the net asset value of a special investment, the Management Fee is allocated only to the book capital accounts participating in such special investment.

Any charges, fees or expenses incurred by the master fund are ratably allocated to the capital accounts of Brightpoint Domestic Fund (and any other funds that invest in the master fund) and, therefore, Brightpoint Domestic Fund indirectly absorbs its share of such costs. In addition to absorbing indirectly such costs of the Master Fund, Brightpoint Domestic Fund is responsible for the payment of its operating expenses, including, among other things, accounting, administration, auditing and legal fees and expenses, as well as annual registration or licensing fees. Each book capital account is allocated its *pro rata* portion of these fees and expenses.

The costs and expenses associated with the organization of Brightpoint Domestic Fund, which are estimated not to exceed \$300,000, are amortized by Brightpoint Domestic Fund over a period of 60 months. Brightpoint Domestic Fund GP believes that amortizing the organizational expenses in this manner is more equitable than requiring the initial investors in Brightpoint Domestic Fund to bear the organizational costs of Brightpoint Domestic Fund.

Europe Fund

The Europe Fund pays H.I.G. Capital an annual Management Fee, payable quarterly in advance, equal to 2.25% of the aggregate commitments. After the date that is the earlier of June 1, 2013 or the date upon which all the capital commitments have been invested or otherwise funded, Europe Fund will pay H.I.G. Capital an annual Management Fee, payable quarterly in advance, equal to 2.25% of (i) the aggregate capital contributions made by all Partners as of the first day of the applicable three-month period, minus (ii) the aggregate amount of distributions constituting a return of capital (*i.e.*, a distribution other than net realized profits or net short-term profits) minus (iii) the aggregate amount of any permanent write downs to the extent distributions have not been made with respect thereto, in each case as determined on the first day of the period with respect to which a determination is being made. Installments of the Management Fee payable for any period other than a full three-month period is adjusted on a *pro rata* basis according to the actual number of days in such period.

The Management Fee commenced as of the initial closing of the Europe Fund, June 1, 2007, based on total commitments, regardless of when a Limited Partner is actually admitted. Limited Partners who have participated in a subsequent closing after since June 1, 2007, are assessed Management Fees retroactive to June 1, 2007 and, in addition, are charged interest on such amounts at the prime rate plus 2% from June 1, 2007. The Management Fee is paid out of current income and disposition proceeds of the Europe Fund and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

The Management Fee is reduced by (i) 100% of the Europe Fund's share of directors' fees paid by portfolio companies to partners or employees of the Europe Fund GP, applicable management company or H.I.G. Capital, and (ii) 50% of all Net Fee income received by the Europe Fund GP, the applicable management company or their partners or employees from portfolio companies or prospective portfolio companies (other than income described in clauses

(a) and (b) below). To the extent any application of the foregoing sentence would reduce the Management Fee for a given quarter below zero, such credit against the Management Fee will be held for future application. The Europe Fund GP, Europe Fund MC or H.I.G. Capital, will be permitted to retain (a) management services fees or advisory or consulting fees paid by any portfolio company in an amount that is reasonable in relation to the cost of obtaining similar services from third parties, and (b) investment banking fees up to 1% of the transaction value relating to any portfolio company, and such fees will not reduce the Management Fee.

The Management Fee payable on a Management Fee payment date is further reduced by an amount equal to the lesser of (i) the amount of the Management Fee that the Europe Fund GP has irrevocably elected to waive in a written notice delivered to Europe Fund and (ii) the amount that would be payable to the Europe Fund GP on such Management Fee payment date. Waived Management fees are not subject to the Management Fee offsets. Due to any such waiving of Management Fees and/or timing of receipt of compensation subject to offsets, it is possible that Management Fee offsets will not be fully realized by investors in Europe Fund, resulting in an additional benefit to the Europe Fund GP.

Europe Fund pays (or reimburse Europe Fund GP or H.I.G. Capital) for reasonable expenses incurred in connection with the organization and startup of the Europe Fund, including legal, accounting, filing, capital raising, recruitment and other organizational expenses, in an aggregate amount not to exceed €2.0 million. Organizational expenses in excess of this amount, if any, will be borne by Europe Fund GP. Limited Partners will not bear any private placement fees.

H.I.G. Capital pays all ordinary administrative and overhead expenses in managing, originating and monitoring investments, including salaries, rent, equipment, travel and administrative expenses incurred by H.I.G. Capital (to the extent not reimbursed by a portfolio company) in respect of Europe Fund or an investment by the Europe Fund. H.I.G. Capital will pay all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio company), including the management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of Europe Fund financial statements and tax returns), expenses of the advisory board and annual meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all third-party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation, if any).

Other Information

H.I.G. Capital may exempt certain investors in certain Private Investment Funds from payment of all or a portion of Management Fees and/or Carried Interest, including H.I.G. Capital and any other person designated by H.I.G. Capital.

The Funds and any other Private Investment Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Limited Partnership Agreements over the term of the Funds (or the relevant Private Investment Funds, as applicable) and Limited Partners generally are not permitted to

withdraw or redeem interests in the Funds (or other relevant Private Investment Funds, as applicable).

Principals or other employees of H.I.G. may receive a portion of the Management Fee, carried interest or other compensation received by H.I.G. Capital or its affiliates.

Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.”

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

H.I.G. Capital does not receive a carried interest allocation (“**Carried Interest**”) for its advisory services to the Funds. Except for PE Fund III GP in respect of the PE Onshore Fund III Class B Partners’ capital accounts, PE Fund IV GP, Growth Equity Fund GP, Bayside Fund II GP and Europe Fund GP, each of the General Partners receives a Carried Interest equal to 20% of all aggregate realized profits from the applicable Funds, subject to an 8% compounded annual preferred return, subject to a General Partner catch-up as more fully described in such Funds’ Limited Partnership Agreements. PE Fund IV GP, Growth Equity Fund GP, Bayside Fund II GP and Europe Fund GP receive a Carried Interest equal to 25% of all aggregate realized profits from the applicable Funds, subject to satisfaction of an 8% compounded annual preferred return, subject to a General Partner catch-up as more fully described in such Funds’ Limited Partnership Agreements. PE Fund III GP receives a Carried Interest equal to 30% of all aggregate realized profits in respect of the PE Onshore Fund III Class B Partners’ capital accounts, subject to satisfaction of a 20% compounded annual preferred return, subject to a General Partner catch-up as more fully described in such Fund’s Limited Partnership Agreement. Except with regard to the Brightpoint Funds, PE Offshore Fund II and PE Offshore Fund III, if any General Partner receives Carried Interest distributions during the life of the applicable Fund which are, in the aggregate, in excess of 20% or 25% in the case of PE Fund IV GP, Growth Equity Fund GP, Bayside Fund II GP and Europe Fund GP, as applicable, of such Fund’s cumulative net profits, or 30% in the case of the PE Onshore Fund III Class B Partners’ capital accounts then such excess Carried Interest distributions will be subject to repayment by such General Partner. The Advisers do not advise Private Investment Funds not subject to a Carried Interest, although the General Partners may waive Carried Interest with respect to certain affiliated Limited Partners in the applicable Fund, as described under “Fees and Compensation.”

TYPES OF CLIENTS

H.I.G. Capital provides investment advice to Private Investment Funds, including the Funds. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of H.I.G. Capital and its affiliates.

Each of the Funds, other than the Brightpoint Funds, is currently closed to new investors. Each of PE Fund IV, Bayside Loan Opportunity Fund II, Bayside Fund II, BioVentures Fund, Growth Equity Fund, Europe Fund and the Brightpoint Funds, however, are currently making new investments and may, from time to time, market and sell investments. The investment periods for each of the other Funds have expired but are currently marketing and selling investments. Interests in PE Fund II, PE Fund III, VC Fund I and VC Fund II are offered and sold solely to accredited investors who are also qualified clients (or qualified knowledgeable H.I.G. personnel) within the meaning of the rules promulgated under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). Interests in the Funds other than PE Fund II, PE Fund III, VC Fund I and VC Fund II are offered and sold solely to qualified purchasers (or qualified knowledgeable H.I.G. personnel).

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

H.I.G. is a global private investment firm with a family of funds which includes private equity, growth equity, debt/credit, real estate and public equities. With a team of over 200 investment professionals with substantial operating, consulting, technology and financial management experience, H.I.G. focuses its investments in the lower middle-market and in distressed and underperforming companies throughout the U.S. and Europe. Since inception, H.I.G. and its affiliates have completed more than 100 control platform investments, in addition to a significant number of add-on acquisitions. As of December 31, 2011, H.I.G. Capital manages investment vehicles with approximately \$8.5 billion in assets.

There can be no assurance that the Advisers will achieve the investment objectives of the Funds and a loss of investment may be possible.

Investment and Operating Strategy

PE Funds Investment Strategy

The PE Fund focuses on leveraged buyouts, equity, debt and other investments in small and mid-sized companies that can benefit from H.I.G.’s in-house operating professionals and expertise. The PE Fund’s investments include: (i) acquisitions of privately-held companies and non-core subsidiaries of larger companies; (ii) investments in companies requiring recapitalization or growth capital; and (iii) restructurings. These investments are typically made through controlling or influential minority investments in companies with revenues between \$25 million and \$500 million in a variety of industries. The PE Funds pursue transactions in this market niche (i) because the capital markets for companies of this size are inefficient, allowing the funds to invest on more favorable terms, and (ii) because of the large number of companies generally available in that size range that are under-managed and can benefit from the operating expertise of the H.I.G. principals to improve their performance.

Bayside Funds Investment Strategy

Bayside Funds focus on middle market companies and make investments across several segments of the primary and secondary debt capital markets including (i) debt financing to

performing middle market companies, (ii) public and private credits in the secondary debt market, and (iii) special situations. Bayside Funds are active across a wide spectrum of industries, including business services, manufacturing, healthcare, retail, food/agriculture, and specialty finance.

Growth Equity Fund Investment Strategy

Growth Equity Fund invests in growth-oriented small-cap businesses and includes (i) acquisitions of rapidly growing, privately-held companies and non-core divisions of larger companies and (ii) control investments in companies requiring recapitalization and growth/expansion capital. Growth Equity Fund also makes influential minority investments in a wide range of high-growth, small-cap businesses which are used to fund growth capital and/or partial founder liquidity. Growth Equity Fund invests in a wide range of industries with a focus on certain growth verticals in market sectors where H.I.G. has extensive experience and resources including business services, healthcare, tech-enabled businesses, internet, interactive media and industrial technology.

BioVentures Fund Investment Strategy

BioVentures Fund primarily invests in companies that address large market opportunities, yet do not require substantial capital, and targets investments in companies developing products with short development timelines, with clinical trials that are quick and efficient to enroll, and with measurable and definitive developmental endpoints. BioVentures Fund's approach to healthcare venture investing involves mitigation of technical and clinical risk and also focuses on market inefficiencies to maximize investment returns, targets underserved geographies that are commonly overlooked by large venture funds and invests in special situations (*e.g.*, recapitalizations, restructurings, etc.) that typically allow for favorable valuations and return profiles.

VC Funds Investment Strategy

The VC Funds makes venture capital investments in emerging high-growth companies in the information technology and life sciences industries. The VC Funds seek to build a balanced portfolio of investments in emerging high-growth companies across the information technology, healthcare and life sciences industries, and in a range of early-stage and mid-stage companies that have significant potential for growth and value appreciation.

Brightpoint Funds Investment Strategy

The Brightpoint Funds invest primarily in the securities of small and mid-capitalization publicly traded companies, in a diversified portfolio consisting mostly of long positions, and a select number of short positions designed both to reduce overall portfolio market risk and volatility, and to benefit from expected price declines. To a lesser extent, the Brightpoint Funds also selectively invest in less liquid, non-control investments typically sourced through H.I.G.'s proprietary deal flow network, including direct investments in private companies or other types of private placements, such as debt securities or illiquid equity securities and private investments in public equity.

RE Fund Investment Strategy

The RE Fund makes investments in small and mid-size real estate properties in the United States and focuses on investing in distressed situations, including lender and/or developer divestitures, sectors and markets with improving fundamentals, performing and non-performing loans and urban housing asset repositioning/turnaround.

Europe Fund Investment Strategy

The Europe Fund principally makes private equity, distressed debt, growth capital and other equity-related investments in lower middle-market companies, primarily in Europe. Target companies are generally ones that can benefit from the significant professional management, strategic focus, capital resources and operating skills that H.I.G. has accumulated over the years. The common characteristics of each portfolio company prior to its acquisition by the Europe Fund typically include: (i) unrealized value; (ii) a need for operational and/or financial resources; (iii) high quality products or leading market positions; and (iv) compelling entry valuations.

Risks of Investment

- **Risks Applicable to All Funds.** The following risks of investments are generally applicable to investments in each of the Funds:

Portfolio Company Risk. The Funds invest in a limited number of investments. Hence, the aggregate return of the Funds may be affected by the performance of a few holdings. To the extent that less capital is raised than targeted, the Funds may make fewer investments and thus be less diversified. It is possible that the Funds will never be fully invested if not enough quality investments are available or identified by the General Partners due to intense competition or the marketplace. However, Limited Partners will be required to pay annual management fees based on the entire amount of their capital commitments.

Concentration of Investments. The Funds participate in a limited number of investments and may seek to make several investments in one industry or industry segment. As a result, the Funds' investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies and thus be less diversified.

Leverage. Certain of the Funds may make use of leverage by incurring debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both the Funds' opportunities for gain and its risk of loss from a particular investment. The use of leverage will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of its investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Funds' investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the

value of the Funds' investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Funds. Furthermore, the companies in which the Funds will invest generally will not be rated by a credit rating agency.

The amount of such borrowings or other leverage is in the General Partners' discretion (up to, in the case of Bayside Loan Opportunity Fund II, 1.0 times capital contributions invested in all portfolio companies) and the amount of such borrowings or other leverage in excess of such limit with respect to individual portfolio investments will not require consent of the advisory board or the Limited Partners. Such aggregate limit is measured at the time each investment in a portfolio company is consummated and to the extent that any portfolio companies decrease in value subsequent to their acquisition by the Funds, such limit may be exceeded. The General Partners may in their sole discretion at any time throughout the life of the Funds, in light of then prevailing business and markets conditions and portfolio considerations, amend, modify, restructure or refinance any leverage facility or other investment leverage with the lender parties and on such terms as the General Partners determine appropriate for the Funds. In such circumstances, certain terms of any new or amended leverage facility may be less favorable than its predecessor facility.

The use of leverage involves a high degree of financial risk. The extent to which the Funds uses leverage may have important consequences to investors, including, but not limited to, the following: (i) greater fluctuations in the net assets of the Funds, (ii) use of cash flow (including capital contributions) for debt service and related costs and expenses, rather than for additional investments, distributions, or other purposes, (iii) to the extent that Funds revenues are required to meet principal payments, investors may be allocated income (and therefore incur tax liability) in excess of cash available for distribution, (iv) in certain circumstances the Funds may be required to prematurely harvest investments to service its debt obligations, (v) limitations on the flexibility of the Funds to make distributions to investors or sell assets that are pledged to secure the indebtedness, and (vi) increased interest expense if interest rate levels were to increase significantly. There can also be no assurance that the Funds will have sufficient cash flow to meet its debt service obligations. As a result, the Funds' exposure to losses may be increased due to the illiquidity of its investments generally.

Prior or current Funds have utilized leverage in connection with such Funds prior investment activities. However, there can be no assurance that the Funds will be able to obtain indebtedness on terms available to any predecessor or affiliated fund or to competitors, including terms that may be currently available in the market, or that indebtedness will be accessible by the Funds at any time, and to the extent that it is available there can be no assurance that such indebtedness will be on terms favorable to the Funds, including with respect to interest rates, or that such indebtedness will remain available throughout the terms of the Funds. The failure by the Funds to obtain indebtedness on favorable terms (or at all) could adversely affect the returns of the Funds.

Illiquidity of Investments. An investment in the Funds should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Furthermore, the expenses of

operating the Funds (including the annual management fees payable to H.I.G. Capital and affiliates) may exceed its income, thereby requiring that the difference be paid from the Funds' capital.

Non-U.S. Investments. Certain Funds (including the Europe Fund and Bayside Loan Opportunity Fund II) may invest in a number of portfolio companies located outside of the United States. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Funds), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Funds and/or the Partners with respect to the Funds' income, and possible non-U.S. tax return filing requirements for the Funds and/or the Partners.

Certain of these Funds' investments may be made in currencies other than U.S. dollars. The value of an investment may fall substantially as a result of fluctuations in the currency of the country in which the investment is made as against the value of the U.S. dollar. The General Partners may (but is not obligated to) endeavor to manage currency exposures, using appropriate hedging techniques where available and appropriate. The Funds may incur costs related to currency hedging arrangements. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis.

Additional risks include: (i) risks of economic dislocations in the host country, (ii) less publicly available information, (iii) less well-developed regulatory institutions, and (iv) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

No Assurance of Investment Return. The Funds' investment portfolios consist primarily of investments in privately-held companies, and operating results in a specified period are difficult to predict. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. There is no assurance that the Funds will be able to invest their capital with attractive terms or generate returns for its investors. The past investment performance of the principals of the General Partners or any entities with which they have been or are associated is not necessarily indicative of the Funds' future results. While the General Partners intend for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted IRR will be achieved.

No Assurance of Projected Results. Projected operating results are only estimates of future results based upon assumptions made at the time the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the accuracy of projections.

Restricted Nature of Investment Positions. Apart from the Brightpoint Funds, generally there will be no readily available market for a substantial number of the Funds' investments, and hence, most of the Funds' investments will be difficult to value.

Reliance on the General Partners, H.I.G. Capital and the Portfolio Company Management. Control over the operation of the Funds will be vested entirely with the General Partners and the related management company, and the Funds' future profitability will depend largely upon the business and investment acumen of the H.I.G. principals. The loss of service of one or more of the H.I.G. principals could have an adverse impact on the Funds' ability to realize its investment objectives. Moreover, although the Funds expect to have access to all of the appropriate resources, relationships and expertise of H.I.G., there can be no assurance that such resources, relationships and expertise will be available for every transaction during the life of the Funds. Limited Partners generally have no right or power to take part in the management of the Funds, and as a result, the investment performance of the Funds will depend entirely on the actions of the General Partners and the related management company. Although the General Partners, H.I.G. Capital will monitor the performance of each Funds investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis.

Need for Follow-On Investments. Following their initial investment in a given portfolio company, the Funds may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds to make all or any of such investments. Any decision by the Funds not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Funds to increase its participation in a successful operation.

Public Company Holdings. The Funds' investment portfolio may, and in the case of the Brightpoint Funds will, contain securities issued by publicly held companies. Such investments may subject the Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the principals, and increased costs associated with each of the aforementioned risks.

Changes in Environment. The Funds' investment programs extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Funds operate may undergo substantial changes, some of which may be adverse to the Funds. The General Partners will have the exclusive right and authority (within limitations set forth in the Funds' Limited Partnership Agreements) to determine the manner in which the Funds will respond to such changes, and Limited Partners generally will have no right to withdraw from the Funds or to demand specific modifications to the Funds' operations in consequence thereof. Prospective investors are particularly cautioned that the investment sourcing, selection, management and liquidation strategies and procedures exercised by members of the General Partners in the past may not be successful, or even practicable, during the Funds'

terms. Within the limitations set forth in the Limited Partnership Agreements, the General Partners have the right and authority to cause the Funds' investment sourcing, selection, management and liquidation strategies and procedures to deviate from those described in the Funds' Private Placement Memoranda.

Impact of Potential Regulatory Developments. There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**") was enacted in July 2010. Dodd-Frank creates a number of new regulatory, supervisory and advisory bodies and affects the regulation of virtually every aspect of United States financial markets. Few provisions of Dodd-Frank are effective immediately and Congress has designed Dodd-Frank to become effective in stages. Dodd-Frank leaves a large number of matters to be addressed through the rulemaking authority of government agencies and other regulatory action, giving regulators significant discretion in many areas. Dodd-Frank also mandates the preparation of studies of a wide range of issues, which could lead to additional regulatory change. The legislation is complicated and contains substantial ambiguities, many of which will not be resolved until implementing regulations are adopted. Until the final regulations are adopted, it is not possible for the General Partners to predict what effect Dodd-Frank will have on the business and operations of the Funds, the General Partners, the management companies and its affiliates or on their ability to perform their respective obligations under their existing agreements. New legislation may be enacted into law or new interpretations, rulings or regulations could be adopted, any of which could harm the Fund, the General Partners, the management companies and their affiliates and the Limited Partners, potentially with retroactive effect. It is not possible to predict at this time whether any such change will benefit or adversely impact the Funds, the General Partners, the management companies or Limited Partners.

Developments Concerning Financial Markets. In recent years, difficult market conditions and economic trends have adversely affected the financial services industry and the securities markets, which were materially and adversely affected by significant declines in the values of nearly all asset classes and by a pronounced lack of liquidity. These trends caused the global markets to have increased volatility and had a negative impact on investor confidence in both financial institutions as well as a number of other industries and in the broader financial markets. Furthermore, general downward economic trends, reduced availability of commercial credit and increased unemployment which have negatively impacted the performance of commercial and consumer credit. Although concerns over the stability of the financial markets and the global economy have diminished over the last year, the market has not yet fully stabilized and governments throughout the world, including the United States, continue to carry a significant amount of debt, partially, as a result of the recent financial crisis. Therefore, there can be no certainty that another financial crisis, like the one that occurred in recent years, will not occur in the future. If such a crisis were to occur, the resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect the business, financial condition, and operating results of the Funds.

Economic and Political Conditions. The current global economic and political climate is one of uncertainty. The potential for increased regulation of the financial markets may increase costs and limit the Funds' ability to pursue business and investment opportunities. Any further material change in the economic environment, including a further slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the Funds' investments in portfolio companies. The Funds' performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis, which can impact the public market comparable or other valuation metrics used to value the Funds' investments in portfolio companies. Movements in foreign exchange rates may or may not adversely affect the value of investments in portfolio companies and the Funds' performance. The rate of future investment by private investment funds has slowed and may continue to slow as the pricing of new transactions adjusts to reflect the current economic uncertainty and the lack of credit in the markets. Holding periods are also likely to be longer as the rate of realizations slows in light of the deterioration in market conditions for investment realizations. The impact of the credit crisis may also affect the Funds' ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

Income Tax Risks. Investment in the Funds may entail significant tax risks, including: (i) the possibility that certain deductions claimed by the Funds may be disallowed and that any audit of the Funds, tax return may result in an audit of any Partner's tax return; (ii) the possibility that the Funds may have taxable income allocable to Partners in an amount greater than the cash available for distribution; (iii) the possibility that the Funds may generate unrelated business taxable income for tax-exempt investors or ECI for non-U.S. investors; and (iv) the possibility that future legislative, administrative or judicial interpretations of current law or future legislation will change the tax treatment of investors described herein.

Litigation Risks. The Funds may be subject to a variety of litigation risks, particularly in consequence of the likelihood that one or more portfolio companies will face financial or other difficulties during the term of the Funds' investments. The Funds may also participate in portfolio company financings at implicit portfolio company valuations lower than the valuations implicit in preceding rounds of financing. In the event of a dispute arising from any of the foregoing activities (or other activities relating to the operation of the Funds or the General Partners), it is possible that the Funds, the General Partners, the management companies, or their respective representatives may be named as defendants. Under most circumstances, the Funds will indemnify the General Partners, their management company and their respective affiliates and employees for any costs they may incur in connection with such disputes.

Service on Boards of Directors or as Officers. One or more of the principals or other persons affiliated with the Funds and the General Partners may serve as directors or officers of certain of the Funds' portfolio companies. Such service could expose the Funds and the General Partners and their partners and affiliates to claims by a portfolio company, its security holders and their creditors as well as various potential governmental or regulatory claims. While the General Partners manage the Funds in a manner that will minimize exposure to these risks, the possibility of successful claims cannot be eliminated and such events, if they occur, could lead to potential liability for the Funds and therefore could have an adverse effect on the Funds. Not all portfolio companies may obtain insurance with respect to potential director or officer liabilities,

and the insurance that portfolio companies do obtain may be insufficient to adequately protect directors or officers from such liabilities.

- **Risks Applicable to Certain Funds.** As indicated below, the following risks of investment are applicable only to investments in certain Funds:

Early Stage Company Investments -- VC Funds and BioVentures Fund. With regard to the VC Funds and the BioVentures Fund (collectively, the “**VC-Bio Funds**”), the strategies include investing in companies in early stages of growth that have inherently greater risk than more established businesses. Early stage companies may be more volatile due to their limited product lines, markets or financial resources, or their susceptibility to major setbacks or downturns. The VC Funds make investments in companies engaged in the information technology, healthcare and life sciences business. Many of these companies are subject to federal and state laws and regulations governing, among other things, the operation, ownership and control of such companies. These regulations may restrict the manner in which the VC-Bio Funds make, monitor, divest and act to protect their investments in such companies and could, under some circumstances, attribute an ownership interest in some or all of such companies to some or all of the VC Funds’ Limited Partners. While the Limited Partnership Agreements contain provisions intended to insulate the Limited Partners from such attributed ownership, no assurance can be given that regulatory authorities would not assert that some or all of the Limited Partners are deemed to have an ownership interest in some or all of such companies.

Investments in Distressed Securities -- Bayside Funds. The Bayside Funds intend to invest in the debt, obligations and other securities and related equity of companies experiencing significant financial difficulties and material operating issues, including, without limitation, companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk which is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the General Partners and Bayside Capital will correctly evaluate the value of the assets of a company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Funds may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Bayside Funds invested.

Non Controlling Investments -- Bayside Funds, PE Funds and Growth Equity Fund. The Bayside Funds hold debt obligations and other non controlling interests in portfolio companies and, therefore, will have a limited ability to protect the Bayside Funds’ position in such portfolio companies. However, the General Partners intend to seek appropriate creditor rights to help protect the Bayside Funds’ interest.

The PE Funds and Growth Equity Fund may hold non-controlling interests in certain investments and, therefore, may have a limited ability to protect its position in such investments, although as a condition of investment, the General Partners generally expect that appropriate

rights will be sought and procured to protect the such Funds' interests and to influence the management of such investments. Such non-control investments may involve risks in connection with material third-party involvement, including the possibility that a third-party participant 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 such Funds, or may be in a position to take (or block) action in a manner contrary to such Fund's investment objectives. Action taken by such persons might subject the investment to liabilities in excess of, or other than, those contemplated. In addition, such Funds may rely upon the abilities and management expertise of such third-parties. To the extent necessary, it may also be more difficult for the Funds to sell their interest in non-control investments with other material third-party owners than to sell its interest in other types of control investments. In addition, the Funds may grant third-party participants veto powers with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could adversely affect investment return or value by obstructing the outcome which may be desired by the Funds.

Nature of Investment in Senior Loans -- Bayside Loan Opportunity Fund II. With regards to Bayside Loan Opportunity Fund II, the assets of the portfolios are primarily first lien senior secured debt, but also include selected second lien senior secured debt, which involves a higher degree of risk of a loss of capital than first lien secured debt. The factors affecting an issuer's first and second lien loans, and its overall capital structure, are complex and may differ from the general structure outlined in the Bayside Loan Opportunity Fund II Private Placement Memorandum. Some first lien loans may not necessarily have priority over all other indebtedness of an issuer. For example, some first lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company), or involve first liens only on specified assets of an issuer. Issuers of first lien loans may have two tranches of first lien debt outstanding each with first liens on separate collateral. Furthermore, the liens referred to herein generally only cover domestic assets and non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries). In the event of chapter 11 filing by an issuer, title 11 of the United States Code (11 U.S.C. §§ 101 - 1532) (the "**Bankruptcy Code**") authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a priority lien on the issuer's property, senior even to liens that were first in priority prior to the bankruptcy filing, as long as the issuer provides what the presiding bankruptcy judge considers to be "adequate protection," which may, but need not always, consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of prior liens on the Fund's collateral would adversely affect the priority of the liens and claims held by the Bayside Loan Opportunity Fund II and could adversely affect the Funds' recovery on its loans.

Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of the underlying assets selected as collateral may allow the Bayside Loan Opportunity Fund II to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are

sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to the Bayside Loan Opportunity Fund II in respect to its loans.

Further, loans may become non-performing for a variety of reasons. Upon a bankruptcy filing by an issuer of debt, the Bankruptcy Code imposes an automatic stay on payments of its pre-petition debt. Non-performing debt obligations may require substantial workout negotiations, restructuring or bankruptcy filings that may entail a substantial reduction in the interest rate, deferral of payments and/or a substantial write-down of the principal of a loan or conversion of some or all of the debt to equity. If an issuer were to seek relief under chapter 11 of the Bankruptcy Code, the Bankruptcy Code authorizes the issuer to restructure the terms of repayment of a class of debt even if the class fails to accept the restructuring as long as the restructured terms are “fair and equitable” to the class and certain other conditions are met.

Senior secured credit facilities are generally syndicated to a number of different financial market participants. The documentation governing the facilities typically require either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the credit, such as waivers, amendments, or the exercise of remedies. In addition, voting to accept or reject the terms of a restructuring of a credit pursuant to a chapter 11 plans of reorganization is done on a class basis. As a result of these voting regimes, the Funds may not have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of the Funds’ loan investments.

Senior secured loans are also subject to other risks, including (i) the possible invalidation of an debt or lien as a “fraudulent conveyance,” (ii) the recovery as a “preference” of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing, (iii) equitable subordination claims by other creditors, (iv) so-called “lender liability” claims by the issuer of the obligations and (v) environmental liabilities that may arise with respect to collateral securing the obligations. It is possible that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination.

The Fund’s investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions that, in each case, could result in the issuer repaying the principal on an obligation held by the Funds earlier than expected.

Covenant-Lite Loans -- Bayside Loan Opportunity Fund II. With regards to Bayside Loan Opportunity Fund II, although the loan documentation of most of the Fund’s investments in portfolio companies include both incurrence and maintenance-based covenants, there may be instances in which the Funds invests in “Covenant-Lite Loans.” An investment by the Bayside Loan Opportunity Fund II in a Covenant-Lite Loan may potentially hinder the ability to reprice credit risk associated with the portfolio company and reduce the ability to restructure a problematic loan and mitigate potential loss. As a result, the Bayside Loan Opportunity Fund II exposure to losses may be increased, which could result in an adverse impact on the Bayside Loan Opportunity Fund II return to the Limited Partners.

Non-Payment of Principal and Interest; Adequacy of Collateral -- Bayside Loan Opportunity Fund II. With regards to Bayside Loan Opportunity Fund II, the Fund's investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments. Such non-payment would likely result in a reduction of income to the Fund and a reduction in the value of the senior secured loans experiencing non-payment.

Although the Fund may invest in portfolio companies that the Bayside Loan Opportunity Fund II GP believes are secured by specific collateral the value of which typically exceeds the principal amount of the investment at the time of initial investment, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the Funds could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment a portfolio company. Under certain circumstances, collateral securing an investment in a portfolio company may be released without the consent of the Fund. Moreover, the Fund's first lien loans may be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, the Fund may not have priority over other creditors as anticipated.

Focus on Small-Cap Investments or Lower Middle-Market Investments -- Bayside Loan Opportunity Fund II, Bayside Fund II and PE Funds. With regards to the Bayside Loan Opportunity Fund II, Bayside Fund II and the PE Funds, such Funds make investments primarily in small-cap companies or in lower middle-market companies that may have inherently greater risk than more established businesses. Accordingly, investments in these companies may require significant time and effort, resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by such Funds will be successful. Such Funds' investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

The market for investing in loans of small-cap companies is relatively complex given the unregulated nature of this market, the lack of publicly available information for most issuing companies, the varied types of owners of such debt, and the unique attributes of each loan agreement. These factors contribute to an inefficient marketplace and to the extent such marketplace is less favorable to the Funds than anticipated, those factors could reduce the Funds' returns.

Real Estate Risk -- RE Fund. With regards to the RE Fund, real estate historically has experienced fluctuations and cycles in value, and specific market conditions may result in reductions in the value of real property interests. The marketability and value of the real property interests will depend on many factors beyond the control of the RE Fund, including: (i) changes in general or local economic conditions; (ii) changes in supply of, or demand for, competing properties in an area; (iii) changes in interest rates; (iv) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions,

environmental protection and occupational safety; (v) unavailability of mortgage funds that may render the sale of a property difficult; (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in real estate tax rates and other operating expenses; (viii) the imposition of rent controls; (ix) energy and supply shortages; (x) various uninsured or uninsurable risks; and (xi) acts of God and natural disasters. In addition, general economic conditions in the United States, as well as conditions of domestic and international financial markets, may adversely affect operations of the RE Fund.

Risks of Development Activities -- RE Fund. With regards to the RE Fund, although the RE Fund intends to partner with companies that are experienced in handling development projects, development investments will be subject to various risks, including those set forth above in real estate risk and the risk that there may be unanticipated delays in the completion of such development projects due to factors beyond the control of the RE Fund. These factors may include: (i) strikes; (ii) adverse weather; (iii) changes in building plans and specifications; (iv) material shortages; and (v) increases in the costs of labor and materials. Delays in completing any development project will cause corresponding delays in the receipt of operating income and, consequently, the distribution of any cash flow by the Fund with respect to such project. In addition, the estimated costs and schedules of developing and constructing buildings and related landscaping may be affected by changes in construction plans and specifications or by other unforeseen events, any of which may cause additional expenses to be incurred, which likely will be borne by the RE Fund.

Environmental Risks -- RE Fund. The RE Fund's investment objectives target property types that may have exposure to environmental risks. If a property experiences an environmental problem, then, depending upon the severity of the problem, its operation and marketability could be materially and adversely affected, which in turn could adversely affect the operating income and sales proceeds from disposition and ultimately the investment returns from such property. In acquiring investments, the RE Fund will face the risk of assuming obligations and liabilities associated with those investments under environmental statutes or regulations, which could include contingent or unforeseen liabilities from latent or undetected environmental problems or violations. Because such environmental obligations and liabilities are difficult to predict or estimate, an investment acquired by the Fund could have an environmental problem or violation that may result in unexpected expenses and in turn lower investment returns to the RE Fund from such investment.

Insurance May Not Cover All Losses -- RE Fund. The RE Fund GP cause the portfolio investments to obtain coverage of the type and in the amount customarily obtained by owners of similar properties, including comprehensive casualty insurance, liability and fire and extended coverage, in amounts sufficient to permit replacement in the event a Property sustains a total loss, subject to applicable deductibles. There are certain types of losses, however, generally of a catastrophic nature, resulting from, for example, earthquakes, floods, hurricanes and terrorist acts, that may be uninsurable or that may not be economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the investment properties and other factors also might make it economically impractical to use insurance proceeds to replace improvements on an investment property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received, if any, might be inadequate to restore the investment with respect to the affected investment property.

Limited Partners may incur UBTI -- RE Fund. With regards to the RE Fund, the Fund's investments generate a significant amount of unrelated business taxable income ("UBTI") for tax-exempt Limited Partners, including "qualified organizations." Investment in the RE Fund made by a Limited Partner through an individual retirement account will be subject to income tax on the amount of UBTI attributable to such investment. Each prospective Limited Partner should consult with its own tax advisor regarding the federal, state, local and foreign tax considerations applicable to an investment in the RE Fund.

Involvement of Co-Investment Partners -- RE Fund. Some of the RE Fund's investments may be made as a co-venturer or partner with a property developer, property manager, the seller of a property, an affiliate of the seller, an investor unaffiliated with the RE Fund GP or the Fund, or other persons. Such investments may involve risks not inherent in other types of investment vehicles, including, for example, the possibility that such persons might become bankrupt, have economic or business interests or goals inconsistent with those of the RE Fund or otherwise be in a position to take action inconsistent with the RE Fund's desires, policies or objectives. Action taken by such persons might subject the property to liabilities in excess of, or other than, those contemplated. In addition, the RE Fund may rely upon the abilities and management expertise of the co-venturer or partner. It may also be more difficult for the Fund to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments. The RE Fund may grant co-venturers or partners veto powers with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks. A deadlock could adversely affect investment return or value, or require the Fund to use its assets to purchase the interest of the co-venturer or partner under agreements providing for the forced sale of such interest.

Equity Risk -- Brightpoint Funds. With regard to the Brightpoint Funds, the market price of securities owned by the Brightpoint Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Brightpoint Fund is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions with an industry. Equity securities generally have greater price volatility than fixed income securities.

Short Sales -- Brightpoint Funds. With regard to the Brightpoint Funds, the Brightpoint Funds may make short sales of investment securities. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, the Brightpoint Fund will engage in short sales only where it believes the value of the security will decline between the date of the sale and the date the Brightpoint Funds are required to return the borrowed security. The making of short sales exposes the Brightpoint Funds to the risk of liability for the market value of the security that is sold, an unlimited risk due

to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase.

Options -- Brightpoint Funds. With regard to the Brightpoint Funds, purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

Investment in Small Companies -- Brightpoint Funds. With regard to the Brightpoint Funds, there is no limitation on the size or operating experience of the companies in which the Funds may invest. Some small companies in which the Brightpoint Funds may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Investing in Illiquid Securities -- Brightpoint Funds. With regard to the Brightpoint Funds, the Brightpoint Funds may invest their assets in special investments, including securities that are not readily marketable or that are only thinly traded. In addition, the Brightpoint Fund may invest in private placement of securities that are not registered under the Securities Act of 1933, as amended and may have little or no trading market. The Brightpoint Funds may not be able to readily dispose of Special Investments, and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. These limitations on liquidity of the Brightpoint Fund's investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

Profit Share -- Brightpoint Funds. With regard to the Brightpoint Funds, although the General Partners of such Funds and other related persons have a significant interest in the Brightpoint Fund's, the General Partner's performance allocation may create an incentive for the General Partners to cause the Brightpoint Funds to make investments that are riskier or more speculative than would be the case in the absence of such allocation.

In-Kind Distributions -- Brightpoint Funds. With regard to the Brightpoint Funds, although the Brightpoint Funds distribute primarily cash to limited partners upon withdrawal, the Brightpoint Funds may make distributions in kind. There can be no assurance that the Brightpoint Funds will have sufficient cash to satisfy withdrawal requests, or that it will be able to liquidate investments at the time such withdrawals are requested at favorable prices. Investments distributed in kind may not be readily marketable or saleable and may have to be held by Limited Partners for an indefinite period of time.

Focus on Small Middle-Market Investments -- Europe Fund. With regards to the Europe Fund, the Europe Fund makes investments primarily in lower middle-market companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies may require significant time and effort, resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Europe Fund will be successful. The Europe Fund's investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Conflicts of Interest

During the commitment period of each Fund (not including, for this purpose, the Brightpoint Funds) H.I.G. and the principals will pursue all appropriate investment opportunities exclusively through the applicable Fund, subject to certain limited exceptions. However, as described above, H.I.G. and its principals currently manage several investment funds, and may direct certain relevant investment opportunities to those investment funds. The H.I.G. principals and the General Partners' investment staff will continue to manage and monitor such investments until their realization. Such other investments that the H.I.G. principals may control may potentially compete with companies acquired by the Funds. The significant investment of the H.I.G. principals in the Funds, as well as the principals' interest in the carried interest, are intended to align, to some extent, the interest of the principals with the interest of the Partners, although the principals have economic interests in such other investment funds as well and receive management fees and carried interests relating to these interests.

From time to time, H.I.G. Capital will be presented with investment opportunities that would be suitable not only for the Funds, but also for other Private Investment Funds and other investment vehicles operated by advisory affiliates of H.I.G. Capital. In determining which investment vehicles should participate in such investment opportunities, H.I.G. Capital and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. H.I.G. Capital attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by H.I.G. Capital's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the Funds in a fair and equitable manner. Where necessary, H.I.G. Capital consults and receives consent to conflicts from an advisory committee consisting of limited partners of the Funds and such other investment vehicles.

Because H.I.G. Capital's carried interest is based on a percentage of net realized profits (and, in the case of the Brightpoint Funds, unrealized profits), it may create an incentive for the H.I.G. Capital to cause the Funds to make riskier or more speculative investments than would otherwise be the case. Since H.I.G. Capital is permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with the Funds investments, it could have a conflict of interest in connection with approving transactions.

Additionally, Limited Partners may have conflicting investment, tax and other interests with respect to their investments in the Funds, including conflicts relating to the structuring of

investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the General Partners regarding an investment that may be more beneficial to one Limited Partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partners will consider the investment and tax objectives of the Funds and its partners as a whole, not the investment, tax or other objectives of any Limited Partner individually.

Prior to June 30, 2011 (the “**Sun Capital Arrangement Termination Date**”), H.I.G. had an arrangement allowing personnel of H.I.G. or its affiliates to co-invest alongside certain private investment funds advised directly or indirectly by Sun Capital Advisors (“**Sun Capital**”, and such funds, collectively, “**Sun Capital Funds**”) generally in an amount up to the lesser of (i) 1.0% of the amount invested by the applicable Sun Capital Fund in such investment or (ii) \$100,000. This historical arrangement was reciprocal and certain personnel of Sun Capital Advisors and/or its affiliates were permitted to invest in H.I.G. transactions generally subject to similar size limits. Such Sun Capital opportunities were not presented to or shared with the Funds, and as Sun Capital co-invested alongside the Funds, Sun Capital’s investments were not subject to management fee or carried interest. Following the Sun Capital Arrangement Termination Date, new platform co-invest opportunities are no longer offered by H.I.G. to Sun Capital (and Sun Capital no longer offers new platform co-invest opportunities to personnel of H.I.G. and/or its affiliates), although follow-on co-investments relating to pre-Sun Capital Arrangement Termination Date platform investments may still be made.

The Advisers may, in their sole discretion, permit one or more Limited Partners (but not necessarily all Limited Partners) to invest in securities issued by a portfolio company of a Fund; *provided* that such investment is on terms no more favorable to such Limited Partner than the relevant Fund’s investment or is on terms available to a third party in an arm’s length transaction.

DISCIPLINARY INFORMATION

H.I.G. Capital and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

H.I.G. Capital is affiliated with other H.I.G. investment advisers registered with the SEC under the Advisers Act pursuant to H.I.G.’s registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with H.I.G. and serve as managers or general partners of Private Investment Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

The Advisers have adopted the H.I.G. Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the H.I.G. principals and employees and addresses conflicts that arise from personal trading. The Code

requires certain H.I.G. personnel to report their personal securities transactions, prohibits or requires pre-clearance for H.I.G. personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits H.I.G. personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the H.I.G.'s Chief Compliance Officer. A copy of the Code will be provided to any Limited Partner or prospective limited partner upon request to Richard Siegel, the H.I.G. Chief Compliance Officer, at 305-379-2322. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds.

The Funds may invest together with other funds advised by an affiliated adviser of H.I.G. Capital in the manner set forth in their Limited Partnership Agreements. The Advisers will determine the allocation of investment opportunity in a manner that it believes is fair and equitable to its clients consistent with the Advisers' obligations and may take into consideration factors such as the following: the client's investment restrictions and objectives (including those set forth in the relevant client's governing documents, where applicable), investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits and other relevant factors, including risk.

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

BROKERAGE PRACTICES

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

If the Advisers sell publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Advisers’ Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Advisers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services may be shared among the Advisers and their affiliates.

The Advisers do not employ any agreement or formula for the allocation of brokerage business on the basis of research services; however, the Advisers may, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Advisers have determined in good faith that such commission is reasonable in relation to the

value of brokerage and research services received. In reaching such a determination, the Advisers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

The Advisers will periodically determine which brokers have provided research that has been helpful in the management of Private Investment Funds. To the extent consistent with the Advisers' goal to obtain best execution for the Funds, the Advisers may seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Adviser allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Private Investment Funds' interest in receiving most favorable execution.

The Advisers do not engage in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Advisers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, H.I.G. Capital closely monitors companies in which the Funds invest, and the H.I.G. Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

Each Fund will provide to each of its Limited Partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Limited Partner's tax return and (iii) at the time of delivery of the financial statements, reports providing

a description of all investments held by the Funds and a narrative summary of the status of each such investment.

CLIENT REFERRALS AND OTHER COMPENSATION

H.I.G. Capital and/or its affiliates may provide certain business or consulting services to companies in each Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Funds' Limited Partnership Agreements, this compensation may offset a portion of the Management Fees paid by Funds. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

From time to time, the Advisers may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential Limited Partner becoming a Limited Partner in a Fund or other Private Investment Fund. Any fees and expenses payable to any such placement agents will borne by H.I.G. Capital.

CUSTODY

H.I.G. Capital maintains custody of the Funds' assets held in each Fund's name with the following qualified custodians: Citibank N.A.

INVESTMENT DISCRETION

H.I.G. Capital has discretionary authority to manage the investments on behalf of each Fund pursuant to the Limited Partnership Agreements described under "Advisory Business." As a general policy, the Advisers do not allow clients to place limitations on this authority. Pursuant to the terms of the Limited Partnership Agreements, however, the Advisers may enter into "side letter" arrangements with certain Limited Partners whereby the terms applicable to such Limited Partners' investment in the Funds may be altered or varied. H.I.G. Capital assumes this non-discretionary authority pursuant to the terms of the Limited Partnership Agreements and powers of attorney executed by the Limited Partners of the Funds.

VOTING CLIENT SECURITIES

The Advisers have adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for each Fund's (and any Private Investment Fund's) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Each of the Advisers generally believes its interests are aligned with those of Funds' Limited Partners through the principals' beneficial ownership interests in the Funds and therefore will not seek Limited Partner approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the Funds' advisory boards on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the Funds' advisory boards may approve the Adviser's vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by H.I.G. personnel or their receipt of

management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. If you would like a copy of the Adviser's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Richard Siegel, the H.I.G. Chief Compliance Officer, at 305-379-2322 and it will be provided to you at no charge.

FINANCIAL INFORMATION

H.I.G. Capital does not require prepayment of management fees six months or more in advance or have any other events requiring disclosure under this item of the Brochure.

SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF H.I.G. CAPITAL

Sami Mnaymneh

Educational Background and Business Experience

Mr. Mnaymneh, born 1961, is a Managing Partner of H.I.G. and has directed H.I.G.'s development since its inception and, alongside Mr. Tamer, is responsible for the day-to-day management of H.I.G. Mr. Mnaymneh approves all capital commitments made by H.I.G. Prior to co-founding H.I.G., Mr. Mnaymneh was a Managing Director at The Blackstone Group where he specialized in providing financial advisory services to Fortune 100 companies. Prior to that time, he was a Vice President in the Mergers & Acquisitions department at Morgan Stanley & Co., where he devoted a significant amount of his time to leveraged buyouts, serving as senior advisor to a number of large and prominent private equity firms. Mr. Mnaymneh received a BA degree from Columbia University, a JD degree from Harvard Law School and an MBA from Harvard Business School.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Mnaymneh.

Other Business Activities

Mr. Mnaymneh is not engaged in any investment-related business outside of his roles with H.I.G. Capital and its affiliates.

Additional Compensation

Mr. Mnaymneh does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Partner of H.I.G., Mr. Mnaymneh is responsible for implementing and overseeing the investment strategy of its clients. Mr. Mnaymneh is not subject to the supervision of any other individual.

Anthony Tamer

Educational Background and Business Experience

Anthony Tamer, born 1957, is a Managing Partner of H.I.G. and has directed H.I.G.'s development since its inception and, alongside Mr. Mnaymneh, is responsible for the day-to-day management of the firm. Prior to founding H.I.G., Mr. Tamer was a Partner at Bain & Company, one of the world's leading management consulting firms. Mr. Tamer's focus at Bain & Company was on developing business unit strategies, improving clients' competitive positions, implementing productivity improvement and cycle time reduction programs, and leading acquisition and divestiture activities for Fortune 500 clients. Mr. Tamer holds a BS degree from Rutgers University, an MS degree in Electrical Engineering from Stanford University and an MBA degree from Harvard Business School.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Tamer.

Other Business Activities

Mr. Tamer is not engaged in any investment-related business outside of his roles with H.I.G. Capital and its affiliates.

Additional Compensation

Mr. Tamer does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Partner of H.I.G., Mr. Tamer is responsible for implementing and overseeing the investment strategy of its clients. Mr. Tamer is not subject to the supervision of any other individual.