

INVESTMENT ADVISER BROCHURE

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

**1450 Brickell Avenue, 31st Floor
Miami, FL 33131**

www.higcapital.com

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This Investment Adviser Brochure (this “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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MATERIAL CHANGES

This Brochure contains material changes to the Form ADV Part 2 filed by H.I.G. Capital, LLC on March 30, 2017 (the “**Prior Brochure**”). Immediately below is a discussion of such material changes. Such discussion sets forth only material changes to the Prior Brochure.

This Brochure reflects the following material changes to the Prior Brochure: (a) an update to the amount of client assets managed by H.I.G. Capital, (b) the insertion of language regarding newly formed investment vehicles as described more fully herein, and (c) other updates to the description of H.I.G.’s business and practices.

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, on a discretionary basis, approximately \$21 billion in client assets, based on regulatory assets under management as of December 31, 2017. 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. Bayside Loan Advisors III (Europe-US\$), L.P. (“**Bayside Loan Opportunity Fund III (Europe-US\$) GP**”), H.I.G. Bayside Loan Advisors III (Europe-Euro), L.P. (“**Bayside Loan Opportunity Fund III (Europe-Euro) GP**”, and together with Bayside Loan Opportunity Fund III (Europe-US\$) GP, the “**Bayside Loan Opportunity Europe Funds GPs**”), 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, LLC (“**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. Bayside Advisors IV, LLC (“**Bayside Loan Opportunity Fund IV GP**”), H.I.G. Realty Advisors, LLC (“**RE Fund GP**”), H.I.G. Realty Advisors III, LLC (“**Realty Fund III GP**”), H.I.G. Europe Realty Advisors II, L.P. (“**Europe Realty Fund (Euro) GP**”), H.I.G. Europe Realty Advisors II (US\$), L.P. (“**Europe Realty Fund (US\$) GP**”, and together with Europe Realty Fund (Euro) GP, the “**Europe Realty Funds GPs**”), Brightpoint Capital GP, LLC (“**Brightpoint Onshore Fund GP**”), Brightpoint Capital (Cayman) GP Limited (“**Brightpoint Offshore Fund GP**”), H.I.G. Advisors V, LLC (“**PE Fund V GP**”), H.I.G. Middle Market Advisors II, LLC (“**MM Fund II GP**”), H.I.G. Advantage Advisors, LLC (“**Advantage Fund GP**”), H.I.G. Strategic Partners GP, LLC (“**Strategic Partners Onshore Fund GP**”), H.I.G. Strategic Partners Offshore GP, L.P., (“**Strategic Partners Offshore Fund GP**” and together with Strategic Partners Onshore Fund GP, the “**Strategic Partners Funds GPs**”), H.I.G. Brazil & Latin America Advisors, L.P. (“**Brazil Fund GP**”), H.I.G. Whitehorse Direct Lending Advisors, LLC (“**WH Direct Lending Fund GP**”), H.I.G. WhiteHorse Loan Fund, L.P. (“**WH Loan Fund GP**” and together with the WH Direct Lending Fund GP, the “**WH Funds GPs**”), H.I.G. Europe Advisors, L.P. (“**Europe Fund GP**”), and H.I.G. Europe Advisors II, L.P. (“**Europe Fund II 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, Bayside Loan Opportunity Europe Funds GPs, Bayside Loan Opportunity Fund IV GP, RE Fund GP, RE Fund III GP, Europe Realty Funds GPs, Brightpoint Onshore Fund GP, Brightpoint Offshore Fund GP, PE Fund V GP, MM Fund II GP, Advantage Fund GP, Strategic Partners Funds GPs, Brazil Fund GP, WH Funds GPs, Europe Fund GP, and other H.I.G. general partner entities which manage certain separate accounts and investment vehicles affiliated

with H.I.G., the “**General Partners**”), Bayside Capital, Inc. (“**Bayside Capital**”), WhiteHorse Lending, LLC (“**WhiteHorse Lending**”), Brightpoint Capital Advisors, LLC (“**Brightpoint Fund MC**”) and, together with Bayside Capital, WhiteHorse Lending, 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 is principally owned and controlled by its Co-Founders and Co-CEOs, Sami Mnaymneh and Anthony Tamer (the “**Co-CEOs**”). In addition, investment funds affiliated with Dyal Capital Partners (“Dyal”), a subsidiary of Neuberger Berman, hold a passive non-voting minority interest in H.I.G. Capital. Dyal does not have any authority over the day-to-day operations or investment decisions of H.I.G. Capital as they relate to the Funds, but it has certain customary minority protection consent rights. Dyal does not have representation on the board of H.I.G. Capital or any of its affiliates.

H.I.G. Capital, through its shared control of the Affiliated Advisers, manages the business and affairs of its clients, which include the PE Funds, VC Funds, BioVentures Fund, Growth Equity Fund, MM Fund II, Advantage Fund, Strategic Partners Funds, Bayside Funds, U.S. Realty Funds, Europe Realty Funds, Brightpoint Funds, Europe Funds, Brazil Fund, WH Funds, and Bayside Loan Opportunity Europe Funds (each as defined below).

Additionally, as more fully described below, in the case of the Funds other than the Europe Fund, Europe Fund II, Brazil Fund, Europe Realty Funds, and Bayside Loan Opportunity (Europe-Euro) Fund, H.I.G.-GPII, Inc., a Delaware corporation, controlled by the Co-CEOs (the “**H.I.G. UGP**”) serves as the general partner or manager, as applicable, of the general partner of each Fund (or, alternatively, as the manager or general partner of such manager or general partner). H.I.G. UGP is controlled by its shareholders, Sami Mnaymneh and Anthony Tamer, who are its principal owners. In the case of the Europe Fund, Europe Fund II, Brazil Fund, Europe Realty Funds, Strategic Partners Offshore Fund, and Bayside Loan Opportunity (Europe-Euro) Fund, the Co-CEOs, directly or indirectly, control H.I.G. Global Capital Partners GP, Ltd., a Cayman Islands exempted company (the “**Global UGP**”), which serves as the general partner or manager, as applicable, of such funds’ general partners.

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 or other governing documents (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 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 the terms of 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, MM Fund II, Advantage Fund, Strategic Partners Funds, Bayside Fund, U.S. Realty Funds, Europe Realty Funds, Brightpoint Fund, Europe Fund, Brazil Fund, WH Fund, and Bayside Loan Opportunity Europe Fund (each, a “**Fund**,” collectively, the “**Funds**” and together with any other 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-V

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

MM Fund II

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

Advantage Fund

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

Strategic Partners Funds

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

Strategic Partners Fund Offshore GP, a Cayman Islands exempted limited partnership, is the general partner of H.I.G. Strategic Partners Offshore Fund, L.P., a Cayman Islands exempted limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Strategic Partners Offshore Fund**” and, together with Strategic Partners Onshore Fund, the “**Strategic Partners Funds**”). Global UGP is the manager of Strategic Partners Offshore Fund GP. H.I.G. Capital serves as the management company of Strategic Partners Offshore 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 H.I.G. Bayside Debt & LBO Fund II, 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**”). H.I.G. UGP is the manager of Bayside Loan Opportunity Fund II GP.

Bayside Loan Opportunity Fund IV 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 IV, L.P., a Delaware limited partnership and (y) H.I.G. Bayside Loan Opportunity Feeder Fund IV, 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 IV**” and, together with Bayside Fund I, Bayside Fund II, and Bayside Loan Opportunity Fund II, the “**Bayside Funds**”). H.I.G. UGP is the manager of Bayside Loan Opportunity Fund IV GP. H.I.G. Capital serves as the management company of the Bayside Funds.

U.S. Realty Funds

RE Fund GP, a Delaware limited liability company, is the general partner of (x) H.I.G. Realty Fund, L.P., a Delaware limited partnership and (y) H.I.G. Realty International Investors, L.P., a Delaware limited partnership (collectively, together with any feeder vehicles, alternative investment vehicles and other special purpose entities, the “**RE Fund**”). H.I.G. UGP is the manager of RE Fund GP.

RE Fund III GP, a Delaware limited liability company, is the general partner of (x) H.I.G. Realty Partners III (Onshore), L.P., a Delaware limited partnership, and (y) H.I.G. Realty Partners III (Offshore), L.P., a Cayman Islands exempted limited partnership (collectively, together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**H.I.G. Realty Partners III**” or “**RE Fund III**” and, together with RE Fund, the “**U.S. Realty Funds**”). H.I.G. UGP is the manager of RE Fund III GP. H.I.G. Capital serves as the management company of the U.S. Realty Funds.

Europe Realty Funds

Europe Realty Fund (Euro) GP, a Cayman Islands exempted limited partnership is the general partner of H.I.G. Europe Realty Partners II, L.P., a Cayman Islands exempted limited partnership (together with any other feeder vehicles, alternative investment vehicles and other special purpose entities, the “**Europe Realty (Euro) Fund**”). Europe Realty Fund (US\$) GP, a Cayman Islands exempted partnership, is the general partner of H.I.G. Europe Partners II (US\$), L.P., a Cayman Islands exempted limited partnership (together with any other feeder vehicles, alternative investment vehicles and other special purpose entities, the “**Europe Realty (US\$) Fund**”, and together with Europe Realty (Euro) Fund, the “**Europe Realty Funds**”).

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, together with Brightpoint Onshore Fund, collectively, the “**Brightpoint Funds**”). H.I.G. UGP is the manager of H.I.G. Capital Special Account Holdings, LLC, a Delaware limited liability company that is the sole shareholder of Brightpoint Offshore Fund GP. Brightpoint Fund MC, a Delaware limited company, serves as the management company of the Brightpoint 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. The Brightpoint Funds are in the process of being wound down.

Europe Funds

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 Co-CEOs control Global UGP, which is the general partner of Europe Fund GP.

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

Brazil Fund

Brazil Fund GP, an Ontario limited partnership, is the general partner of (x) H.I.G. Brazil & Latin American Partners A, L.P., an Ontario limited partnership, (y) H.I.G. Brazil & Latin American Partners B, L.P., an Ontario limited partnership, and (z) H.I.G. Brazil & Latin American Partners C, L.P., an Ontario limited partnership (collectively, together with any feeder vehicles, alternative investment vehicles and other special purpose entities, **“H.I.G. Brazil & Latin America Partners”** or the **“Brazil Fund”**). Global UGP is the manager of the general partner of Brazil Fund GP. H.I.G. Capital is the management company of Brazil Fund.

Bayside Loan Opportunity Europe Funds

Bayside Loan Opportunity Fund III (Europe-US\$) GP, a Cayman Islands exempted limited partnership is the general partner of H.I.G. Bayside Loan Opportunity Fund III (Europe- US\$), L.P., a Cayman Islands exempted limited partnership and H.I.G. Bayside Loan Opportunity Feeder Fund III (Europe-US\$), L.P., a Cayman Islands exempted limited partnership (collectively with any other feeder vehicles, alternative investment vehicles and other special purpose entities, the **“Bayside Loan Opportunity (Europe-US\$) Fund”**). Bayside Loan Opportunity Fund (Europe-Euro) GP, a Cayman Islands exempted partnership, is the general partner of H.I.G. Bayside Loan Opportunity Fund III (Europe-Euro), L.P., a Cayman Islands exempted limited partnership, and H.I.G. Bayside Loan Opportunity Feeder Fund III (Europe-Euro), L.P., a Cayman Islands exempted limited partnership (collectively with any other feeder vehicles, alternative investment vehicles and other special purpose entities, the **“Bayside Loan Opportunity (Europe-Euro) Fund”**, and together with the Bayside Loan Opportunity Europe-US\$ Fund, the **“Bayside Loan Opportunity Europe Funds”**).

WH Funds

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

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

together with WH Direct Lending Fund, the “**WH Funds**”). H.I.G. Capital is the management company of the WH Funds. H.I.G. UGP is the manager of WH Funds GPs.

CLO Funds

WhiteHorse Lending, a Delaware limited liability company, is the collateral manager of the following Cayman Islands exempted limited companies: WhiteHorse VI, Ltd., (“**CLO Fund VI**”), WhiteHorse VII, Ltd. (“**CLO Fund VII**”), WhiteHorse VIII, Ltd. (“**CLO Fund VIII**”), WhiteHorse IX, Ltd. (“**CLO Fund IX**”), and WhiteHorse X, Ltd. (“**CLO Fund X**,” and together with CLO Fund VI, CLO Fund VII, CLO Fund VIII, and CLO IX, the “**CLO Funds**”). WhiteHorse Capital Partners, L.P., an affiliate of H.I.G. Capital and an investment adviser registered with the SEC (SEC File No. 801-67111), is the collateral manager of WhiteHorse III, Ltd. and WhiteHorse IV, Ltd., each a Cayman Islands exempted limited company. Please see the Form ADV of WhiteHorse Capital Partners, L.P. for additional information relating to that affiliate.

Managed Accounts

H.I.G. Capital, directly or through one or more of its affiliates, also acts and may in the future act as investment adviser on a discretionary basis to one or more other Private Investment Funds or separately managed accounts, that invest pursuant to one or more of the investment strategies described herein, or other strategies, as agreed between H.I.G. Capital or such affiliates and the applicable investors or advisory clients and as provided in the Limited Partnership Agreements and/or other documentation governing such arrangements (“**Managed Accounts**”). Except to the extent expressly provided herein to the contrary, (i) references herein to “Funds” include any such Managed Accounts and (ii) references herein to “Limited Partnership Agreement” with respect to any Managed Account that is managed pursuant to another form of advisory contract include any such advisory contract.

Co-Investments

Additionally, from time to time and as permitted by the relevant Limited Partnership Agreement, the Advisers provide (or may agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, H.I.G.’s personnel and/or certain other persons associated with H.I.G. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). H.I.G. expects that any such purchase from a Fund by a co-investor or co-invest vehicle generally would occur shortly after the Fund’s completion of the investment. Where appropriate, and in H.I.G.’s sole discretion, H.I.G. is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

General

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 ("**Side Letters**") 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 may offset 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 receive compensation for services and certain other costs in connection with their services and such amounts will not result in additional offsets to the Management Fee.

Management Fees and Expenses

Except for the Realty Funds, Brightpoint Funds, WH Funds, and CLO Funds, as further described below, the Funds generally pay H.I.G. Capital an annual Management Fee, payable quarterly in advance, based on a percentage of aggregate capital commitments or on invested capital. Installments of the Management Fee payable for any period other than a full three-month period are adjusted on a pro rata basis according to the actual number of days in such period. The Management Fee generally commences as of the effective date of the respective Fund, regardless of when a Limited Partner is actually admitted. Limited Partners who participate in closings after the initial closing are assessed Management Fees retroactive to the respective Fund’s effective date, and, in addition, may be charged interest on such amounts. The Management Fee is paid out of current income and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

The Funds will apply certain directors fees and 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 Fund’s general partner, 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, the Funds’ general partners 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 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 by each. The Funds’ general partners and their affiliates are permitted to retain all corporate services fees and all investment banking fees, which fees are not 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 Funds’ general

partners have irrevocably elected to waive in a written notice delivered to the respective Fund and (ii) the amount that would be payable to the Fund's general partner 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 the Fund, resulting in an additional benefit to the Fund's general partner.

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 Funds pay (or reimburse respective Fund GP or H.I.G. Capital) for reasonable expenses incurred in connection with the organization and startup of the Funds, including legal, accounting, filing, capital raising and other organizational expenses, in aggregate amounts not to exceed amounts referenced in such Funds' Limited Partnership Agreement. Organizational expenses in excess of these amounts, if any, will be borne by the Fund's general partners. 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 the Funds or an investment by the Funds. Each 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 the Fund's financial statements, tax returns and K-1s), expenses of the advisory board and 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, including third party expenses relating to transactions that may have been offered to co-investors ("**Broken Deal Expenses**"), and extraordinary expenses (such as litigation, if any).

Realty Funds

Except for the RE Fund, which no longer pays a Management Fee, other real estate Funds, including RE Fund III and Europe Realty Funds (together with the RE Fund, the "**Realty Funds**"), generally pay H.I.G. Capital an annual Management Fee, payable quarterly in advance, based on aggregate capital commitments during the commitment period and on invested capital thereafter. The Realty Funds General Partners apply certain directors fees and 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 respective Fund's General Partner, 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, the Realty Funds General Partners 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 side-by-side with the Realty Funds in a portfolio investment, any directors fees or Net Fees will be allocated between the Realty Funds and such parallel investment fund in proportion to the cost of securities in such portfolio investment held by each. The Realty Funds General Partners and their affiliates are permitted to retain all real estate services fees, including asset management, financing, and disposition services fees, in each case in amounts that are reasonable in relation to the cost of obtaining similar services from third parties, which fees are not 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 Realty Funds General Partners or their affiliates have irrevocably elected to waive in a written notice delivered to the Realty Funds and (ii) the amount that would be payable to the Realty Funds General Partners or their affiliate 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 the Realty Funds, resulting in an additional benefit to the Realty Funds General Partners or their affiliates.

The Realty Funds pay (or reimburses the Realty Funds General Partners or H.I.G. Capital) for reasonable expenses incurred in connection with the organization and startup of the Realty Funds, including legal, accounting, filing, capital raising and other organizational expenses, in amounts not to exceed amounts disclosed in each Fund's Limited Partnership Agreement. Organizational expenses in excess of this amount, if any, will be borne by H.I.G. Capital. 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 investment) in respect of the Realty Funds or an investment by the Realty Funds. The Realty Funds pay all other costs and expenses relating to its activities (to the extent not reimbursed by a portfolio investment), including the Management Fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of the Realty Funds financial statements, tax returns and K-1s), expenses of the advisory board and meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, including costs associated with establishing and maintaining a permanent residence in certain jurisdictions (such as rent for office space, related overhead and employee

salaries and benefits), all Broken Deal Expenses, and extraordinary expenses (such as litigation, if any).

Brightpoint Funds

The Brightpoint Funds no longer pay a Management Fee. The Brightpoint Funds are responsible for the payment of operating expenses, including, among other things, accounting, administration, auditing and legal fees and expenses, as well as annual registration or licensing fees. The Brightpoint Funds are in the process of being wound down.

WH Funds

The WH Funds pay H.I.G. Capital an annual Management Fee, payable quarterly in advance, based on aggregate amount of capital used by the fund to make all investments that are not fully realized investments. Limited Partners participating in a subsequent closing after the effective date will be assessed management fees retroactively as if they had participated in a closing on or prior to the effective date and, in addition, will be charged interest on such amounts at the prime rate plus 2% from the effective date. The management fee will be paid out of current income and, to the extent necessary, from drawdowns which will reduce unfunded commitments.

WH Direct Lending Fund GP applies certain Origination Fees and Net Fees to reduce the Management Fee for the three-month period immediately succeeding the three-month period in which any such Origination Fees or Net Fees were received by the WH Direct Lending Fund GP, H.I.G. Capital or their partners, members, officers or employees, as the case may be. “**Origination Fees**” means all placement, origination, directors’, topping, break-up, transaction, commitment, administrative agent, collateral agent, closing or amendment fees and other similar fees in connection with the provision of capital to portfolio companies paid (whether in the form of cash, securities or otherwise) to the WH Funds GPs, H.I.G. Capital or any of their partners, members, managers, officers, employees or affiliates from any portfolio company. In the event that the amount of Origination Fees or Net Fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, such excess shall be carried forward to reduce the Management Fee payable in the following three-month periods. In addition, the WH Direct Lending Fund GP shall 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 WH Direct Lending 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 Origination Fees and Net Fees applied against the Management Fee during such period, exceeds the Management Fee for such period, such excess shall be carried forward to reduce the Management Fee payable in the following three-month periods. If another person has co-invested side-by-side with the WH Direct Lending Fund in an investment in a portfolio company, any Origination Fees or Net Fees will be allocated between the WH Direct Lending Fund and such other person in proportion to the cost of securities in such portfolio company held by each. As per the terms of its Limited Partnership Agreement, no Origination Fees, Net Fees and corporate services fees will be paid to the WH Loan Fund or otherwise will be shared with the WH Loan Fund or will be applied to reduce the Management Fee payable by the WH Loan Fund. The WH Direct Lending Fund and its affiliates shall be permitted to retain all corporate services fees, which fees shall not be applied to reduce the Management Fee.

Installments of the Management Fee payable by the WH Funds for any period other than a full three-month period are adjusted on a pro rata basis according to the actual number of days in such period. WH Funds reimburse the WH Funds general partners for organizational expenses up to an aggregate amount as disclosed in each WH Fund's Limited Partnership Agreement. The aggregate amount of all organizational expenses paid by the WH Funds general partners 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 WH Funds.

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 the WH Funds or an investment by the WH Funds. The WH Funds 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 WH Funds financial statements, tax returns and K-1s), expenses of the advisory board and meetings of the Limited Partners, insurance and other expenses associated with the acquisition, holding and disposition of its investments, all Broken Deal Expenses, and extraordinary expenses (such as litigation, if any).

CLO Funds

As more fully set forth in the governing documents of the CLO Funds, WhiteHorse Lending receives, to the extent that funds are available, (i) a senior management fee, (ii) a subordinated management fee and (iii) an incentive management fee, each payable on each payment date or, in the case of the senior management fee and the subordinated management fee, to the extent there are not sufficient funds available therefor on such payment date, on a subsequent payment date. The incentive management fee, the senior management fee and the subordinated management fee (in each case as may be modified pursuant to the governing documents of each CLO Fund) are collectively referred to as the "CLO Fund Management Fees."

WhiteHorse Lending, in its sole discretion, may waive all or any portion of the Management Fees, and may defer all or any portion of the Management Fees subject to certain limitations as provided in the governing documents of each CLO Fund.

WhiteHorse Lending pays all expenses and costs incurred by it in connection with its services; *provided* that WhiteHorse Lending is not be liable for, and the CLO Fund is responsible for, the payment of, (x) reasonable expenses and costs of legal advisers, consultants, rating agencies, accountants and other professionals retained by the CLO Fund, or by WhiteHorse Lending, on behalf of each CLO Fund, including the costs and expenses of approved pricing services, compliance, trade execution and booking services and software, portfolio management products and services, accounting, programming and data entry services and fees and other professionals and service providers; and (y) travel expenses (airfare, meals, lodging and other transportation) incurred by WhiteHorse Lending as is reasonably necessary in connection with the purchase or sale, monitoring, default or restructuring of any Collateral Obligations.

For information regarding the fees and compensation of funds managed by WhiteHorse Capital Partners, L.P., please refer to its Form ADV.

Managed Accounts and Co-Investments

The arrangements relating to Management Fees and expenses with respect to all current Managed Accounts and Co-Investments, are reflected in their respective Limited Partnership Agreements and/or other governing documents. The terms of such arrangements have been, and are expected to continue to be, negotiated on an individual basis between H.I.G. Capital and the investors in such Managed Accounts and Co-Investments.

Other Information

H.I.G. Capital is permitted to 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. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by H.I.G. Capital and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where an H.I.G. Capital professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee and Carried Interest with respect to such Fund. Additionally, to the extent permitted by the relevant Limited Partnership Agreement, certain Advisers have the right to permit investors, affiliated with an Adviser or otherwise to invest through the relevant General Partner or other vehicles that do not bear Management Fees or Carried Interests.

The Funds and any other Private Investment Funds generally 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. generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by H.I.G. Capital or its affiliates.

To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in “Brokerage Practices.”

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

In certain circumstances, a Fund will pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over

time), and be reimbursed by the other Funds by their share of such expense, without interest. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, H.I.G. will advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

Additionally, as further described herein and in the applicable Memorandum and/or Limited Partnership Agreement of each Fund, the Advisers' may retain certain operating partners to provide services to (or with respect to) one or more portfolio companies in which one or more Funds invest. Such operating partners generally provide services in relation to the holding, improvement and disposition of portfolio companies, including operational aspects of such companies. To the extent that an operating partner provides services to H.I.G. Capital and/or its affiliates, on the one hand, and to one or more portfolio companies, on the other hand, such operating partner's compensation-related expenses are generally allocated between H.I.G. Capital and/or its affiliates, on the one hand, and such portfolio companies, on the other hand. Such operating partners also generally will be reimbursed for certain travel and other costs in connection with their services and, as discussed above, no such amounts will offset the Management Fee. The use of operating partners subjects the Advisers to conflicts of interest, as discussed under "Conflicts of Interest," below.

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. The General Partner of each Fund will receive a specified percentage of Carried Interest of all aggregate realized profits from the applicable Fund subject to satisfying a preferred return. The arrangements relating to Carried Interest or other incentive-based compensation with respect to all Funds and Managed Accounts are reflected in their respective Limited Partnership Agreements and other governing documents. 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.”

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although H.I.G. Capital generally considers performance-based compensation to better align its interests with those of its investors.

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, university endowments, sovereign wealth funds, family offices, 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 and members of their families, operating partners or other service providers retained by H.I.G. Capital.

Each of the Funds is currently closed to new investors (except for Advantage Fund, Europe Realty Funds and the Strategic Partners Funds). Each of PE Fund V, MM Fund II, Bayside Loan Opportunity Fund IV, Europe Fund II, Brazil Fund, RE Fund III, WH Funds, Advantage Fund, Europe Realty Funds, however, as well as one or more Managed Accounts, 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, Bayside Fund I, RE Fund, 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 (including any Managed Accounts) other than PE Fund II, PE Fund III, Bayside Fund I, RE Fund, VC Fund I and VC Fund II are offered and sold solely to qualified purchasers (or qualified knowledgeable H.I.G. personnel). It is expected that any Managed Accounts will only be established for investors that are qualified purchasers.

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, and real estate. With a team of over 350 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.

The following is a summary of the principal investment strategies pursued by each fund group. The Funds will also consider other investments on an opportunistic basis which present a risk/reward profile consistent with the relevant Fund's principal strategy. 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 Funds focus 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 Funds' 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 because H.I.G. believes (i) the capital markets for companies of this size are inefficient, allowing the funds to invest on more favorable terms, and (ii) a large number of companies generally available in that size range 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, including (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.

MM Fund II Investment Strategy

MM Fund II invests in leveraged buyouts, equity, debt and other investments in middle-market companies that can benefit from H.I.G.'s in-house operating professionals and expertise. MM Fund II focuses on under-managed, stressed and distressed companies and opportunities characterized by complex business models, operations and/or transaction dynamics including: (i) acquisitions of privately-held and publicly-traded companies and noncore subsidiaries of larger companies; (ii) investments in companies requiring recapitalization or growth capital; and (iii) restructurings and special situations. These investments will typically be made primarily through controlling equity investments and in some cases through influential minority equity investments typically in middle market companies in a variety of industries.

Advantage Fund Investment Strategy

Advantage Fund's objective is to primarily make control equity investments in stable middle-market companies with predictable business models, leading market shares, sustainable competitive advantages, capital efficient models and other high quality characteristics.

Strategic Partners Funds Investment Strategy

The Strategic Partners Funds' objective is to primarily invest in Underlying H.I.G. Funds, including certain Funds utilizing buyout, growth equity, credit or real estate strategies.

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 make 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.

U.S. Realty Funds Investment Strategy

The U.S. Realty Funds make investments in small and mid-size real estate properties in the United States and focus on investing in repositioning/turnaround assets, underperforming opportunities, and sectors and markets with improving fundamentals.

Europe Realty Funds Investment Strategy

The Europe Realty Funds' objective is to principally make value-add investments in the small-cap real estate sector in Europe.

Europe Funds Investment Strategy

The Europe Funds principally make 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 Funds 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.

Brazil Fund Investment Strategy

The Brazil Fund principally makes private equity, buyout, and other equity-related investments in lower middle-market companies, primarily in Brazil and to a lesser extent other countries in Latin America. The Fund's investments will generally 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 and special situations. The Brazil Fund targets high growth sectors and portfolio companies with leading market positions, financial and/or operational resource needs, and/or compelling entry valuations.

Bayside Loan Opportunity Europe Funds Investment Strategy

The Bayside Loan Opportunity Europe Funds' objective is to invest primarily in European senior leveraged loans and newly originated loans to small and medium enterprises which may be cut off from their traditional source of bank debt financing. Target investments include stressed/distressed senior loans of small-cap companies, some of which may be the product of an LBO transaction or in some cases, recapitalizations, mergers, dividends and growth initiatives.

WH Funds Investment Strategy

The WH Funds' objective is to provide senior secured financing solutions to non-sponsor U.S. lower middle market companies. The WH Funds will target well established, performing companies with proven cash flow generating capabilities and experienced management teams that lack access to traditional sources of financing.

CLO Fund Investment Strategy

CLO Funds' portfolios consist of senior secured floating rate notes comprised primarily of senior secured corporate loans rated below investment grade issued by U.S. and certain non-U.S. issuers.

Managed Account Investment Strategies

Managed Accounts may follow any one or more of the foregoing strategies, or other strategies, and may acquire some or all of the foregoing securities and instruments, or other securities and instruments, as agreed between H.I.G. Capital or its affiliates and the investors or advisory clients in such Managed Accounts, and as provided in the Limited Partnership Agreements and other documentation governing such arrangements.

Risks of Investment

- **Risks Applicable to All Funds.** The following risks of investments are generally applicable to investments in each of the Funds, including any Managed Accounts and Co-Investments:

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 and Bayside Loan Opportunity Fund IV (collectively, the "**Bayside Loan Opportunity Funds**") and the WHF Funds 1.0 times the commitments to the Fund, or as otherwise limited in the relevant Fund's Limited Partnership Agreement) 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 the 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 use 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 Funds, the Bayside Loan Opportunity Europe Funds, Growth Equity Fund, Bayside Loan Opportunity Funds, Europe Realty Funds, and Brazil Fund) 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. 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 Fund's 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 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.

Lack of Unilateral Control. Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their limited partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, a Fund generally will seek to

negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

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 and the financial services and banking industries, both in the U.S. and Europe. 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 (the "**Dodd-Frank Act**") was enacted in July 2010. The Dodd-Frank Act has created 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 the Dodd-Frank Act are effective immediately and Congress has designed the Dodd-Frank Act to become effective in stages. The Dodd-Frank Act 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. The Dodd-Frank Act 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 the Dodd-Frank Act 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 the 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.

Valuation of Investments. Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

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

attack or other unauthorized access is directed at H.I.G. Capital or one of its service providers holding its financial or investor data, H.I.G. Capital, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under H.I.G. Capital's policies.

- **Risks Applicable to Certain Funds.** As indicated below, the following risks of investment are applicable only to investments in certain Funds, including any Managed Accounts that follow similar strategies:

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, Growth Equity Fund, and Brazil 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, Growth Equity Fund, and Brazil 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 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 Funds and the WH Funds. With regards to the Bayside Loan Opportunity Funds and the WH Funds, 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 Funds' 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 Funds 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 Funds and the WH Funds 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 Funds and the WH Funds in respect to outstanding 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 Funds’ 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 Funds and the WH Funds. With regards to Bayside Loan Opportunity Funds and WH Funds, although the loan documentation of most of the Funds’ investments in portfolio companies includes both incurrence and maintenance-based covenants, there may be instances in which the Funds invest in “Covenant-Lite Loans.” An investment by the Bayside Loan Opportunity Funds and the WH Funds 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, exposure to losses may be increased, which could result in an adverse impact on the Bayside Loan Opportunity Funds and the WH Funds return to the Limited Partners.

Non-Payment of Principal and Interest; Adequacy of Collateral -- Bayside Loan Opportunity Funds and WH Funds. With regards to Bayside Loan Opportunity Funds and the WH Funds, the Funds' 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 Funds may invest in portfolio companies that the General Partners 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 Funds, Bayside Fund II, PE Funds, Brazil Fund, and the WH Funds. With regards to the Bayside Loan Opportunity Funds, Bayside Fund II, PE Funds, Brazil Fund, and the WH 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.

Investments in Bank Loans -- Bayside Loan Opportunity Funds and the WH Funds. With regards to Bayside Loan Opportunity Funds and WH Funds, the Funds may invest a portion of investments in loans originated by banks and other financial institutions. The loans invested in by the Funds may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks. As secondary market trading volumes for bank loans increase, new bank loans are frequently adopting standardized documentation to facilitate loan

trading which should improve market liquidity. There can be no assurance, however, that future levels of supply and demand in bank loan trading will provide an adequate degree of liquidity, that the current period of illiquidity will not persist or worsen and that the market will not experience periods of significant illiquidity in the future. In addition, the Funds may make investments in stressed or distressed bank loans which are often less liquid than performing bank loans.

The Funds may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, the Funds generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Funds may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Funds will assume the credit risk of both the borrower and the institution selling the participation. The settlement process for the purchase of bank loans can take several days and, in certain instances, several weeks longer than a bond trade. The longer a trade is outstanding between the counterparties may increase the risk of additional operational and settlement issues and the potential for the Funds' counterparty to fail to perform.

Investments in Public Debt Instruments -- Bayside Loan Opportunity Funds and the WH Funds. With regards to Bayside Loan Opportunity Funds and WH Funds, in the event that the Funds acquire fixed income securities and/or other instruments that are publicly traded, the Funds will be subject to certain inherent risks. In some circumstances, the Funds may be unable to obtain financial covenants or other contractual rights, including management rights, that they might otherwise be able to obtain in making privately-negotiated debt investments. Moreover, the Funds may not have the same access to information in connection with investments in public instruments, either when investigating a potential investment or after making an investment, as compared to a privately-negotiated debt investment.

Investments in Second Lien, or Other Subordinated Loans or Debt -- Bayside Loan Opportunity Funds and the WH Funds. With regards to Bayside Loan Opportunity Funds and WH Funds, the Funds may acquire and/or originate second lien or other subordinated loans. In the event of a loss of value of the underlying assets that collateralize the loans, the subordinate portions of the loans may suffer a loss prior to the more senior portions suffering a loss. If a borrower defaults and lacks sufficient assets to satisfy the Funds' loan, the Funds may suffer a loss of principal or interest. If a borrower declares bankruptcy, the Funds may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. In addition, certain of the Funds' loans may be subordinate to other debt of the borrower. As a result, if a borrower defaults on the Funds' loan or on debt senior to the Funds' loan, or in the event of the bankruptcy of a borrower, the Funds' loan will be satisfied only after all senior debt is paid in full. The General Partners' ability to amend the terms of the Funds' loans, assign the Funds' loans, accept prepayments, exercise the Funds' remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to borrowers may be limited by intercreditor arrangements if debt senior to that Funds' loans exists.

Investments in Unsecured Loans or Debt -- Bayside Loan Opportunity Funds and the WH Funds. With regards to Bayside Loan Opportunity Funds and WH Funds, the Funds may invest in unsecured loans which are not secured by collateral. In the event of default on an unsecured loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for an unsecured holder and therefore result in a loss of investment to the Funds. Because unsecured loans are lower in priority of payment to secured loans, they are subject to the additional risk that the cash flow of the borrower may be insufficient to meet scheduled payments after giving effect to the secured obligations of the borrower. Unsecured loans generally have greater price volatility than secured loans and may be less liquid.

Real Estate Risk -- Realty Funds. With regards to the Realty Funds, 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 Realty Funds, 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 Realty Funds.

Risks of Development Activities -- Realty Funds. With regards to the Realty Funds, although the Realty Funds intend 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 Realty Funds. 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 Realty Funds.

Environmental Risks -- Realty Funds. The Realty Funds' 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 Realty Funds 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 Realty Funds from such investment.

Insurance May Not Cover All Losses -- Realty Funds. The Realty Funds general partners 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 -- Realty Funds. With regards to the Realty Funds, the Funds' investments generate a significant amount of unrelated business taxable income ("UBTI") for tax-exempt Limited Partners, including "qualified organizations." Investment in the Realty Funds 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 Realty Funds.

Involvement of Co-Investment Partners -- Realty Funds. Some of the Realty Funds' 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 Realty Funds general partners 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 Realty Funds or otherwise be in a position to take action inconsistent with the Realty Funds' 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 Realty Funds 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 Realty Funds 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.

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 Funds 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 Funds' investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

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 Funds, Bayside Loan Opportunity Europe Funds, Brazil Fund, and the WH Funds. With regards to the Europe Funds, Bayside Loan Opportunity Europe Funds, Brazil Fund, and the WH Funds, these Funds make 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 these Funds will be successful. These 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.

Risks of Certain European Investments -- Europe Funds, Europe Realty Funds, Bayside Loan Opportunity Europe Funds. The Europe Funds, Europe Realty Funds and Bayside Loan Opportunity Europe Funds may make investments in companies based in a number of different European countries. Investments in certain European capital markets and securities involve risks not typically associated with investing in the more developed and established European capital markets and securities, including risks relating to: (i) potential price volatility in, and relative illiquidity of, some European securities markets; (ii) the absence of uniform accounting and financial reporting standards and disclosure requirements in some countries; (iii) certain economic and political risks, including potential restrictions on foreign investment and repatriation of capital and the risks of political, economic, or social instability; and (iv) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. Furthermore, although the Principals have experience with investing in many European jurisdictions, the Europe Funds, Europe Realty Funds, and Bayside Loan Opportunity Europe Funds may make investments in European jurisdictions in which the Principals do not have any prior direct investment experience. While the Funds general partners intend to manage the investment activities in a manner that will minimize exposure to the foregoing risks, there can be no assurance that adverse developments with respect to such risks will not adversely affect the value or realization of investments that are

held by the Europe Funds, Europe Realty Funds, and the Bayside Loan Opportunity Europe Funds in certain countries.

Break-Up of the Euro Zone – Europe Funds, and Bayside Loan Opportunity Europe Funds. The Euro Zone sovereign debt crisis could lead to a break-up of the Euro as a functional currency or to one or more sovereign countries leaving the Euro currency union. The consequences of any of the foregoing events are highly unpredictable but could lead to capital controls, conversion of debt obligations from Euro to new lower value currency and the likelihood that any Euro denominated assets of the Europe Funds and Bayside Loan Opportunity Europe Funds may become difficult to realize and severely impaired as to value. In addition both the measures taken to prevent a break-up of the Euro and an actual break-up of either the Euro Zone or a dissolution of the Euro could lead to a prolonged recession potentially impacting the value of assets in the Europe Funds and Bayside Loan Opportunity Europe Funds

Investment Performance of the Euro Fund and US\$ Fund May Vary Significantly – Bayside Loan Opportunity Europe Funds. Although investment opportunities of the Bayside Loan Opportunity Europe Funds are generally expected to be allocated between the Bayside Loan Opportunity Europe Funds on a pro rata basis based upon their respective relative currency adjusted capital commitments as of the date of each fund's final closing, the Bayside Loan Opportunity Europe Funds may not invest the same proportion of their respective commitments in each investment as a result of the fluctuations in exchange rates between the Euro and the U.S. Dollar between the final closing date and the date of a capital call for an investment. In addition, because of exchange rate fluctuations between the date of an investment by the Bayside Loan Opportunity Europe Funds and the date of the distributions of proceeds with respect to such investment, the ultimate net returns of the Bayside Loan Opportunity Europe Funds with respect to each investment will be different, in each case based upon the applicable relative exchange rate fluctuations during the period of such investment among the Euro, the U.S. Dollar and the currency in which such investment was made. Further, to the extent that Bayside Loan Opportunity (Europe-US\$) Fund engages in currency hedging, there will be costs borne by the Bayside Loan Opportunity (Europe-US\$) Fund that are not similarly borne by the Bayside Loan Opportunity (Europe-Euro) Fund.

Devaluation of the Real – Brazil Fund. The exchange rate between the Brazilian real and the U.S. Dollar has varied significantly in recent years. The return of the Brazil Fund on any investment, measured on a U.S. dollar basis, will be affected by fluctuations in currency exchange rates and exchange control regulations as well as by the success of the investment itself. To the extent that the currency of Brazil weakens in comparison to the dollar, the value of an investment in the Brazil Fund may be impacted. Furthermore, the Fund may incur costs in connection with conversions between various currencies.

Risks of Doing Business in Brazil – Brazil Fund. The Brazil Fund intends to invest a majority of its capital in Brazil. Brazilian federal government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian economic and political conditions could have a material and adverse effect on the Fund's business, financial condition and operating results. The Brazilian economy has been characterized by frequent, and occasionally material, intervention by the Brazilian federal government, which has often modified monetary, credit and other policies intended to influence Brazil's economy. The Brazilian government's

actions to control inflation and effect other policy changes have involved wage and price controls, changes in existing, or the implementation of new, taxes and fluctuations of base interest rates. Actions taken by the Brazilian federal government concerning the economy may have important effects on companies with large operations in Brazil, including us, and on market conditions in Brazil. In addition, actions taken by Brazilian state and local governments with respect to labor, tax and other laws may affect the Fund's operations. The Fund's financial condition and results of operations may also be materially and adversely affected by any of the following and the Brazilian federal government's actions in response to them: (i) monetary policies; (ii) economic and social instability; (iii) energy shortages, or other changes in energy prices; (iv) interest rates; (v) exchange controls and restrictions on remittances abroad; (vi) liquidity of the domestic capital and lending markets; (vii) tax policy, including international tax treaties; and (viii) other political, diplomatic, social and economic policies or developments in or affecting Brazil. These and other future developments in the Brazilian economy and governmental policies could have a material and adverse effect on the Fund's investments, business, financial condition and operating results. The Fund cannot predict whether any future policies to be adopted by the Brazilian government will result in adverse consequences to the Brazilian economy, the Fund's business, results of operations or financial condition or prospects.

Risks of Doing Business in Latin America – Brazil Fund. In addition to Brazil, the Brazil Fund intends to make investments in other countries in Latin America. Economic and political developments in Latin America, including future economic changes or crises (such as inflation, currency devaluation or recession), government deadlock, social and political instability, terrorism, civil strife, changes in laws and regulations, restrictions on the repatriation of dividends or profits, expropriation or nationalization of property, imposition of foreign taxes on income and gains, restrictions on currency convertibility, price volatility, absence of uniform accounting and financial reporting, volatility of the foreign exchange market and exchange controls could impact the Fund's investments and have a material adverse effect the Fund's business, financial condition and profitability. Furthermore, although the Principals have experience with investing in many Latin American jurisdictions, the Fund may make investments in Latin American jurisdictions in which the Principals do not have any prior direct investment experience. While the Brazil Fund GP intends to manage the Fund in a manner that will minimize exposure to the foregoing risks, there can be no assurance that adverse developments with respect to such risks will not adversely affect the value or realization of investments that are held by the Brazil Fund in certain countries.

Conflicts of Interest

H.I.G Capital and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, investment advisory, legal, management and other services to Funds and portfolio companies. H.I.G. Capital will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Limited Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of H.I.G. Capital conducting its activities, the interests of a Fund may conflict with the interests of H.I.G. Capital, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, H.I.G. Capital will determine all matters relating to structuring transactions and Fund operations using its best

judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

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, and expect in the future to 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 or manage 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. Following the commitment period of a Fund, H.I.G. Capital principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

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. Investments by more than one client of H.I.G. Capital in a portfolio company may also raise the risk of using assets of a client of H.I.G. Capital to support positions taken by other clients of H.I.G. Capital.

H.I.G. Capital must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. H.I.G. Capital generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Limited Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives, (including those set forth in the relevant client's Limited Partnership Agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life-cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. H.I.G. Capital will determine if the amount of an investment opportunity in which a Fund will invest exceeds the amount that would be appropriate for such Fund and any such excess may be offered to one or more Funds, Managed Accounts, or potential co-investors, as determined by the Funds' Limited Partnership Agreements, Side Letters and H.I.G. Capital's procedures regarding allocation.

H.I.G. Capital's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While H.I.G. Capital will allocate investment opportunities in a manner that it believes in

good faith is fair and equitable to its clients under the circumstances and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which H.I.G. Capital may be subject, discussed herein, did not exist.

In certain cases, H.I.G. Capital will have an opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, H.I.G. Capital will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by H.I.G. Capital in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, H.I.G. Capital may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies).

Subject to any relevant restrictions or other limitations contained in the Limited Partnership Agreements of the Funds, H.I.G. Capital will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, H.I.G. Capital may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or investment vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by H.I.G. Capital or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size.

As a result of the Funds' controlling interests in portfolio companies, H.I.G. Capital and/or its affiliates typically have the right to appoint portfolio company board members, or to influence

their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to H.I.G. Capital and/or its affiliates. Such amounts will be in addition to any Management Fees or carried interest paid by a Fund to H.I.G. Capital.

Additionally, a portfolio company typically will reimburse H.I.G. Capital or service providers retained at H.I.G. Capital's discretion for expenses (including without limitation travel expenses) incurred by H.I.G. Capital or such service providers in connection with its performance of services for such portfolio company. This subjects H.I.G. Capital and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements. H.I.G. Capital determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to H.I.G. Capital or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Although uncommon, from time to time H.I.G. Capital may cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by H.I.G. Capital, or co-investors or co-investment vehicles. Such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' Partnership Agreements or otherwise in the sole discretion of H.I.G. Capital, H.I.G. Capital may seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's advisory board) to such transactions. In certain circumstances, H.I.G. Capital may determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. H.I.G. Capital intends that any such transactions be conducted in a manner that it believes in good faith to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Although H.I.G. Capital generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In each such case, H.I.G. Capital intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the

obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

H.I.G. Capital, its affiliates, and equity holders, officers, principals and employees of H.I.G. Capital and its affiliates may buy or sell securities or other instruments that H.I.G. Capital has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to any restrictions in the Fund's Partnership Agreement and any policies and procedures set forth in H.I.G. Capital's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of H.I.G. Capital have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Because H.I.G. Capital's carried interest is based on a percentage of net realized profits, it may create an incentive for H.I.G. Capital to cause a Fund to make riskier or more speculative investments (or hold investments for longer periods) than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when the H.I.G. Capital may not otherwise have done so. Since H.I.G. Capital is permitted to retain certain supplemental fees (as described under "Fees and Compensation") in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation. H.I.G. Capital and/or its affiliates generally have discretion over whether to charge transaction fees to a portfolio company and, if so, the fee rate or amount. The receipt of transaction fees may give rise to conflicts of interest between the Private Investment Funds, on the one hand, and H.I.G. Capital and/or its affiliates on the other hand.

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.

H.I.G. Capital has instituted a program under which portfolio companies owned by the Funds are given the option to participate in purchasing, vendor or similar arrangements with H.I.G. Capital, its affiliates and other portfolio companies. Program participants expect to receive discounts negotiated with various vendors and service providers on a group wide basis. Participants voluntarily participate in the program without cost. H.I.G. Capital and its affiliates also participate in the program, and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts will result in additional offsets to the Management Fee. H.I.G. Capital believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Funds) that will result if the negotiated discounts rates for goods and services are discounted relative to those widely available in the market.

From time to time H.I.G. Capital, its affiliates and personnel expect to receive the benefit of “friends and family” and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. Because its portfolio companies offer such discounts to customers other than H.I.G. Capital and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, H.I.G. Capital believes that the potential for conflicts of interest relating to such discounts is mitigated. H.I.G. Capital, its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course.

Any of these situations subjects H.I.G. Capital and/or its affiliates to potential conflicts of interest. 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 a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, H.I.G. Capital will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, H.I.G. Capital consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

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 the Affiliated Advisers registered with the SEC under the Advisers Act pursuant to H.I.G.’s registration in accordance with SEC guidance. These Affiliated

Advisers operate as a single advisory business together with H.I.G. Capital 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. H.I.G. Capital is also affiliated with WhiteHorse Capital Partners, L.P. (SEC File No. 801-67111) and H.I.G. WhiteHorse Advisers, LLC (SEC File No. 801-76984), which are separately registered with the SEC under the Advisers Act, as well as with the advisory entities affiliated with them. For more information relating to these advisers, including a list of their advisory and other financial industry affiliates, their beneficial owners and a list of funds managed by them, please refer to their respective Form ADVs.

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 H.I.G. 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 certain exceptions, without first obtaining approval from the H.I.G.’s Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material nonpublic information. 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 one or more Private Investment Funds and underlying investments. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be

effected through co-investment vehicles or directly in a particular portfolio company. Additionally, a Fund may invest together with other Funds advised by an affiliated adviser of H.I.G. Capital in accordance with 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 Limited Partnership Agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions. Following a determination of allocation among Funds, H.I.G. Capital will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, in accordance with the Funds' Limited Partnership Agreements, side letters and H.I.G. Capital's procedures regarding allocation. H.I.G. Capital's may take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations; confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; H.I.G. Capital's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair H.I.G. Capital's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; and whether H.I.G. Capital believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or H.I.G. Capital portfolio company, other portfolio companies, or the Funds or H.I.G. Capital. In the case of co-investments, the Advisers may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

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. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

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.

In H.I.G. Capital's private company securities transactions on behalf of the Funds, H.I.G. Capital may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, H.I.G. Capital may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although H.I.G. Capital generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

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. Funds' investment committees periodically review the Funds' portfolios to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

Each Fund (other than any Managed Accounts, as applicable) 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. Managed Accounts may provide some or all of the foregoing types of reporting, as agreed between H.I.G. Capital or its affiliates and the investors or clients in such Managed Accounts, and as provided in the Limited Partnership Agreements and other documentation governing such arrangements.

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 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. H.I.G. Capital maintains relationships with senior operating and consulting professionals who may, from time to time, provide certain key value-added services to portfolio companies of the Funds. These professionals may be independent contractors or employees of companies affiliated with H.I.G. Capital and may receive compensation, directly or indirectly, from H.I.G. Capital portfolio companies that will not result in offsets to the Management Fee. 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 be 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: Bank of New York Mellon, Citibank, JPMorgan Chase Bank, N.A., Merrill Lynch & Co. and U.S. Bank National Association.

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, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. 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, for example, 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 Founder and Co-CEO 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 Co-CEO 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 Founder and Co-CEO 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 Co-CEO 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.