

BHMS Investments, LP

Part 2A of Form ADV

The Brochure

March 2023

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This brochure provides information about the qualifications and business practices of BHMS Investments, LP (“BHMS” or the “Firm”). If you have any questions about the content of this brochure, please contact Justin Gaines, Chief Compliance Officer (“CCO”), at 203.653.3558.

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

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

Item 2. Material Changes

BHMS is amending its Brochure to reflect updates since the date of its initial Form ADV filed in June 2022. This annual amendment to its Brochure contains the following updates:

- Item 1 (Cover Page) has been updated to reflect a change in the Firm’s phone number;
- Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) has been updated to include new risk factors; and
- Item 14 (Client Referrals and Other Compensation) has been updated to address investor referrals.

All other updates to this Brochure are routine.

Item 3. Table of Contents

Item 2.	Material Changes.....	2
Item 3.	Table of Contents	2
Item 4.	Advisory Business.....	2
Item 5.	Fees and Compensation.....	3
Item 6.	Performance Based Fees and Side-by-Side Management	6
Item 7.	Types of Clients	6
Item 8.	Methods of Analysis, Investment Strategies, and Risk of Loss.....	7
Item 9.	Disciplinary Information	22
Item 10.	Other Financial Industry Activities and Affiliations	22
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	22
Item 12.	Brokerage Practices	22
Item 13.	Review of Accounts.....	23
Item 14.	Client Referrals and Other Compensation.....	23
Item 15.	Custody.....	23
Item 16.	Investment Discretion.....	23
Item 17.	Voting Client Securities.....	24
Item 18.	Financial Information	24

Item 4. Advisory Business

BHMS Investments, LP (“BHMS” or “the Firm”) is a Westport, CT based private equity investment firm focused on the North American lower middle-market. Founded in 2010, BHMS is owned by Managing Partners Kevin L. Angelis and Robert L. Salamon. The Firm employs eight professionals primarily based in Westport, CT, with three employees working remotely.

The Firm, through wholly-owned subsidiaries, (collectively with BHMS, the “Investment

Managers”)¹ provide investment advisory services to private investment funds (collectively, the “Funds”), including co-investment vehicles that invest alongside other Funds in certain investments. The Funds are privately-offered, pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940. The Funds are typically structured as limited partnerships, and an affiliate of the Firm serves as the general partner of each Fund (the “General Partners”). Funds may also be structured as limited liability companies or other entities, with an affiliate of the Firm serving as the manager, managing member, or other management role analogous to a general partner, manager, or managing member. Investment advisory services provided by the Investment Managers to the Funds are provided directly to each Fund and not individually to the limited partners or analogous investors of a Fund (generally referred to in this document as investors). The Investment Managers serves as the investment adviser with discretionary authority to implement investment decisions for each Fund to which it provides investment advisory services. The Investment Managers’ investment decisions and advice with respect to its clients are in accordance with the investment objectives and restrictions set forth in the limited partnership agreement or other applicable governing documents of each Fund (the “Governing Documents”) and, where applicable, any side letters that a Fund executes with such Fund’s investors. The Investment Managers and the General Partners to the Funds also provide administrative and management services to the Funds.

As of December 31, 2022, the Firm managed \$499,600,800 in regulatory assets under management, which is managed on a discretionary basis.

The descriptions of the Funds in this brochure, including the type of investments made, the investment strategies utilized, the fees charged to investors, the expenses incurred by investors, the risk factors, and the conflicts of interests that may arise in management of the Funds, or in the selection of investments are qualified in their entirety by reference to each of the Fund’s Governing Documents provided to investors.

Item 5. Fees and Compensation

Management Fees

The management fees charged to investors in the Funds, as well as the methodology used to assess the management fee, are determined by the terms of the Governing Documents for each of the Funds. The management fees vary across the Funds in accordance with the relevant Governing Documents. Management fees can be assessed and deducted directly from an investor’s capital account in advance. The Investment Managers or the General Partner may, in their sole discretion, waive or reduce all or any portion of the management fee with respect to any investor. The management fee for a Fund is typically based on the capital commitments of such Fund during its investment period and thereafter on the invested capital of the Fund for the remainder of its expected life, although the management fees for any specific Fund may vary and are negotiated with such Fund’s investors during the fund-raising period of the Fund. In addition, the General Partner of each Fund is entitled to carried interest or incentive allocations (typically a percentage of profits derived from the disposition of such Fund’s investments following a preferred rate of return to the Fund’s investors). Such items are outlined in Item 6 below.

¹ BHMS provides advisory services through one or more wholly owned subsidiary investment management entities. For ease of reference, such entities are collectively referred to herein as the “Investment Managers.”

Expenses

Investors in a Fund pay, whether directly or through reimbursement to the Investment Managers or General Partners, all costs and expenses related to a Fund's investments and operations, including a Fund's allocated share of estimated costs and expenses. The permissible costs and expenses for each Fund is determined by the Fund's Governing Documents.

In general, such other costs and expenses include, but are not limited to organizational expenses; offering expenses; expenses (including transportation, meal, and lodging expenses of the personnel of the Investment Managers or General Partners) relating to the origination, evaluation, diligence, valuation, structuring, negotiation, acquisition, financing, asset management, holding, monitoring, capitalization and sale or disposition of or bid on actual and potential investments; fees, costs and expenses related to broker, dealer, finder, underwriting, loan administration, private placement, sales, investment banking and other similar services; any and all expenses incurred in connection with the engagement of third party investment sourcing consultants to identify investment opportunities, and who may be engaged on an exclusive or non-exclusive basis (for the avoidance of doubt, such expenses shall include success or similar fees paid to such consultant upon the consummation of an investment, retainer fees paid on an ongoing basis to such consultants, reimbursement for expenses incurred by such consultant in connection with the engagement, and the reasonable use of resources to further such consultant's engagement); sales commissions and fees, commitment fees, non-refundable deposits and costs and expenses incurred in connection with the acquisition or disposition of actual or potential investments (whether or not consummated) (including a share of expenses of any vehicle formed in connection with a co-investment opportunity); reverse breakup, termination and other similar fees; carried interest, incentive allocations, management fees or similar fees, costs and expenses payable or allocable to joint venture partners; principal and interest and fees, commissions, costs and expenses and other amounts payable related to or arising from any indebtedness or hedging activities; indebtedness or hedging activities of, or guarantees made by, the Funds and the General Partners or its affiliates on behalf of the Funds, including principal and interest and fees, commissions, costs and expenses and other amounts payable related to or arising from any such indebtedness or hedging activities of a Fund, or seeking to put in place any such indebtedness or hedging activities; financing, commitment, origination and similar fees and expenses; expenses related to conferences, trainings and management meetings relating to actual or potential investments; costs, fees and expenses related to the operations of the Funds, including costs associated with compliance with any anti-money laundering laws and regulations, and administration, tracking or reporting software of a Fund, fees and expenses of any third-party administrator, costs related to research, administration, filing, printing, mailing, courier, title, transfer, survey, registration and other similar costs, fees and expenses of experts, appraisers, custodians, legal counsel, consultants, accountants, auditors, tax return preparers and other professionals, including expenses associated with the preparation of the financial statements or other reports and tax returns and other tax filings of the Funds (including any such persons retained by an Advisory Committee); fees and expenses relating to regulatory compliance matters directly related to the activities of the private fund, including the preparation of Form PF; premiums for casualty and other insurance protecting a Fund and its property and investments from loss, including cybersecurity insurance; premiums for insurance protecting a Fund and certain persons from liabilities to third parties in connection with investments and other activities, including insurance against liability in connection with the activities of the Funds (including in respect of any breach or alleged breach of fiduciary or similar duty) and expenses for

any insurance contemplated by a Fund's documents; expenses related to organizing, maintaining and operating entities (including alternative investment vehicles) through or in which investments may be made; costs and expenses related to travel (including transportation, meals, lodging and entertainment), other meals, lodging or entertainment relating to a Fund's activities; expenses of any Advisory Committee and expenses of any meeting or conference of the partners or meetings with individual investors (including costs of the investors, the General Partners or other persons incurred in connection with attending any such meetings); compensation paid to operating advisors; entity-level, withholding and other taxes and other governmental charges, fees and duties payable or incurred by a Fund, or other entities formed to facilitate an investment (including interest and penalties) and all expenses of or related to the "partnership representative" of a Fund and/or expenses incurred in connection with any tax audit, inquiry, investigation, settlement or review of a Fund; any amounts subject to indemnification under a Fund's documentation; software, hardware and technology expenses related to a Fund's activities, including expenses related to any tools or systems for investment sourcing, portfolio tracking, document retention and sharing, or research activities; costs of preparing and distributing reports to, or responding to information requests from, investors (including costs associated with maintaining any web-based investor portal), or any other administrative, compliance, regulatory or other reporting or filing directly attributable to a Fund, including costs of any third-party service providers and professionals related to the foregoing; costs associated with compliance or regulatory matters related to a Fund (including compliance with a Fund's offering documents and side letters); costs associated with defaults by partners or investors in the payment of any capital contributions; except as otherwise determined by the General Partners in their sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense if it were incurred in connection with a Fund; any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Funds to the extent not paid by the investors investing in such entities and any other costs and expenses related to any structuring or restructuring of the Funds and/or its subsidiaries or affiliated entities; expenses related to sale, transfer or redemption of interests in the Funds, or the withdrawal of any investor; costs and expenses associated with actual or otherwise anticipated litigation, arbitration and similar proceedings involving the Funds, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; costs of winding up and liquidating a Fund; any and all expenses (including legal fees and expenses) incurred to comply with any law or regulation related to the activities of a Fund, or incurred in connection with any litigation or governmental inquiry, investigation or proceeding involving the Funds, including the amount of any judgments, settlements or fines paid in connection therewith, except, however, to the extent such expenses or amounts have been determined to be excluded from; any and all expenses incurred in connection with any amendments, modifications, revisions, restatements, waivers, consents or approvals to the constituent documents of the Funds, the General Partners, certain designated affiliates thereof, any entities owned directly or indirectly by the Funds (including portfolio companies) and any alternative investment vehicle of the Funds, including the preparation, distribution and implementation thereof; any and all expenses incurred in connection with any valuation of the assets of a Fund; and any other fees, costs, expenses, liabilities or obligations approved by any Advisory Committee.

In connection with investments for some or all of the Funds, the General Partners, the Investment Managers, and their affiliates may receive transaction, directors', consulting, management,

investment banking, monitoring, closing, topping, break-up and other similar fees (“Other Fees”), as permitted by a Fund’s limited partnership agreement. For some Funds, a portion of such Other Fees allocable to investors that are not affiliates of the General Partners or Investment Managers are applied to reduce management fees (net of any unrecouped expenses associated with a Fund’s investments which a General Partner has elected to pay on behalf of a Fund). To the extent such offsets would reduce the management fee for a given period below zero, such offsets may be carried forward and reduce future installments of the management fee. The specific terms of any offsets are set forth in each Fund’s Governing Documents.

Investors should review the Governing Documents for a Fund for a full explanation of all costs attributed to an investment in such Fund.

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

Investors will incur performance allocations, incentive allocations, or carried interest payable to the General Partners as determined by a Fund’s Governing Documents. Performance allocations, incentive allocations, or carried interest will be assessed in accordance with the relevant Governing Documents and are calculated as a percentage of the net profits of the Fund. Performance allocations, incentive allocations, or carried interest may be subject to a preferred return for some Funds. The Investment Managers or the General Partners may, in their sole discretion, waive or reduce all or any portion of a performance allocation, incentive allocation, or carried interest with respect to an investor in a Fund. The presence of a performance allocation, incentive allocation, or carried interest creates an incentive for Investment Managers to make investments on behalf of the Funds which may be riskier or more speculative than would be the case in the absence of such allocation or carried interest.

Certain Funds and other vehicles (typically co-investment vehicles) pay reduced carried interest, management fees and/or profits interests. In addition, certain Funds may not pay carried interest due to the underperformance of such Funds’ underlying portfolio investments. The payment by some Funds of different rates of carried interest may create an incentive for BHMS to disproportionately allocate time, services or functions to Funds paying higher rates of carried interest. Generally, and except as may be otherwise set forth in the Governing Documents of the Funds, this conflict is mitigated, at least in part, by (i) certain limitations on the ability of BHMS to establish new investment funds and (ii) contractual provisions generally requiring Funds in the same investment to purchase and sell investments contemporaneously and on the same terms and conditions.

Item 7. Types of Clients

The Investment Managers provide investment advisory services to the Funds. In the future, the Investment Managers may provide investment advisory services to additional clients including, but not limited to other pooled investment vehicles, single-investor vehicles, and co-investment vehicles. The Funds are generally structured as closed-ended investment vehicles.

Subject to the Governing Documents, the Investment Managers or General Partners may also offer co-investments to investors as well as third-parties not invested in a Fund. Pursuant to the terms of the Governing Documents, the Investment Managers or General Partners may be obligated to offer a co-investment to

investors that exceed a specified size. The allocation of co-investment opportunities is in the discretion of the Investment Managers and General Partners, and current investors may not receive allocations of co-investments unless the Investment Managers or General Partners are otherwise obligated by the terms of the Governing Documents or a side-letter with a particular investor.

Investments in the Funds are subject to a minimum commitment. The Investment Managers and General Partners of each Fund reserves the right to waive or otherwise modify (including the size, timing, notification protocols, or escrow protocols) the minimum commitments, initial capital contributions, and subsequent closing for any investor in the Investment Managers' or General Partners' sole discretion, unless otherwise specified in the Governing Documents. The Governing Documents restrict withdrawal rights and transfer rights of investors.

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

Investment Strategy

BHMS will consider investing in a wide variety of opportunities ranging from consolidation strategies to conventional leveraged buyouts to companies in financial distress. The Firm's strategy is to invest in quality businesses with multiple levers to value creation in transactions that afford a strong margin of safety. Further, BHMS believes in active ownership post-closing and in maintaining a concentrated portfolio.

- Quality Businesses – Characterized by offering a strong value proposition to its customers and suppliers in stable to growing end markets and possessing a durable competitive position
- Multiple Levers to Value – Thesis must incorporate multiple paths to value creation; should any given lever underperform, the availability of others is essential
- Margin of Safety – Own assets to the downside at less than a conservative estimation of their intrinsic value; achieved via valuation, structure or a combination thereof
- Active Ownership – While BHMS is not a day-to-day operator, BHMS maintains significant ongoing interaction with and oversight of its portfolio companies

Investments will generally be structured so as to achieve governance rights that BHMS believes will give it effective control. This may be achieved in a variety of ways depending on the nature and structural elements of the investment, such as: simple majority, control of the board, significant governance rights and protective covenants, etc.

Methods of Analysis

BHMS performs comprehensive due diligence on target companies that it seeks to acquire. This process includes, amongst other items, an evaluation of a target company's unit economics, competitive positioning, value proposition, industry outlook, growth prospects, cyclicity, concentrations, pricing power, operational systems and management.

The goal of the diligence work is to facilitate the underwriting of base, downside and upside investment cases over the anticipated hold period, which is generally assumed to be five years, but

will vary based on the unique features of each investment.

BHMS will pursue an opportunity should it conclude that the investment target (i) meets the return threshold of the given vehicle anticipated to fund the investment, (ii) maintains strong downside protection, and (iii) displays actionable avenues to upside.

Risk of Loss

Investing in any securities involves the risk of loss. Prospective investors should be prepared to bear the loss of a portion, or the entirety, of any investment in the Funds.

Investment in the Funds is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risks and lack of liquidity inherent in an investment in the Funds. Investors must be prepared to bear such risks for an extended period. No assurance can be given that the Funds' investment objective will be achieved or that investors will receive a return of their capital.

A description of the material risks related to an investment in the Funds is contained in the Governing Documents for the relevant Fund. Investors should review the Governing Documents for the relevant Fund. The following description is not intended to be a full accounting of all potential risks to the Funds.

Risk Factors

No Assurance of Investment Return. The Investment Managers cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that a Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There can be no assurance that any investor will receive any distribution from a Fund. Partial or complete sales, transfers or other dispositions of investments which may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. Accordingly, an investment in a Fund should only be considered by persons who can afford a loss of their entire investment. Past activities of investment entities associated with the Investment Managers provide no assurance of future success. There can be no assurance that projected or targeted returns for a Fund will be achieved.

Restrictions on Transfer and Withdrawal Limited. Interests in the Funds have not been registered under the US Securities Act of 1933, as amended (the "Securities Act"), the securities laws of any US state, or the securities laws of any other jurisdiction, and therefore, cannot be sold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not expected that registration under the Securities Act or other securities laws will occur. Interests may only be offered, sold or transferred to individuals or entities who or which are qualified investors under applicable securities laws. Furthermore, there is no public market for the interests and none is expected to develop. Each investor will be required to represent that it is a qualified investor under applicable securities laws and that it is acquiring its interest for investment purposes and not with a view to resale or distribution and that it will only sell and transfer its interest to a qualified investor under applicable securities laws and in a manner permitted by the subscription documents for the relevant

Fund under consideration. Each investor must be prepared to bear the economic risk of an investment for an indefinite period of time. An investor will not be permitted to assign, sell, exchange or transfer any of its interest, rights or obligations with respect to its interest, except by operation of law, without the prior written consent of the relevant General Partner, which consent may be withheld as described in the relevant Governing Documents. Voluntary withdrawals from a Fund will generally not be permitted.

Failure to Fund commitments, Consequences of Default. If an investor fails to make a capital contribution when due, and any contributions made by non-defaulting investors and any borrowings by a Fund are inadequate to cover the defaulted capital contribution, a Fund may be unable to meet its obligations when due. As a result, a Fund may be subjected to significant penalties that could limit opportunities for investment diversification and materially adversely affect the returns of the investors (including non-defaulting investors). If an investor defaults, it may be subject to various penalties as provided in the Governing Documents for the relevant Fund under consideration.

Highly Competitive Market for Investment Opportunities. The success of a Fund as a whole depends upon the identification and availability of suitable investment opportunities. The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty, especially with respect to timing. The availability of investment opportunities will be subject to market conditions, the prevailing regulatory conditions or the political climate in industries and regions in which a Fund may invest and other factors outside the control of a Fund. A Fund will be competing for investments with many other private equity investors, as well as companies, public equity markets, individuals, financial institutions and other investors. Further, over the past several years, an ever-increasing number of private equity funds have been formed and many such existing funds have grown substantially in size, resulting in an unprecedented amount of capital available for private equity investment. Consequently, it is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to a Fund and adversely affecting the terms upon which investments can be made. A Fund may incur bid, due diligence or other costs on investments which may not be successful. As a result, there can be no assurance that a Fund will be able to identify and complete investments that satisfy its investment objectives, or realize the value of such investments, or that it will be able to invest fully its commitments.

Exculpation and Indemnification. Certain exculpation and indemnification provisions contained in the Governing Documents for the relevant Fund under consideration may limit the rights of action otherwise available to investors and other parties against the General Partners, the Investment Managers, and their respective members, partners, managers, stockholders, officers, directors and employees, absent such a limitation in the subscription documents for the relevant Fund under consideration. In addition, all Funds will be obligated to indemnify these persons with respect to the operations of a Fund, subject to certain limited exceptions generally involving fraud, willful misconduct, gross negligence, bad faith or a breach of the subscription documents for the relevant Fund under consideration which has a material adverse effect on a Fund. The obligation to fund any indemnification will survive the dissolution of a Fund, or an investor's withdrawal or exclusion from a Fund.

Liability for Return of Distributions. Under Delaware and other applicable law, if a Fund is otherwise unable to meet its obligations, the investors may be obligated to return cash distributions

with interest previously received by them if such distributions are deemed to be wrongfully paid to them and such investors knew at the time of such distributions that they were wrongfully paid. In addition, an investor may be liable under applicable federal or state bankruptcy laws to return a distribution made during a Fund's insolvency. The investors also may be required to return amounts distributed to them to fund a Fund's indemnity or other obligations, as well as for other expenses, in accordance with the terms of the subscription documents for the relevant Fund under consideration.

Recourse to Assets. A Fund's assets, including any investments made by a Fund and any capital held by a Fund, are available to satisfy all liabilities and other obligations of a Fund. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a Fund's assets generally and may not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. Accordingly, investors could find their interests in a Fund's assets adversely affected by a liability arising out of an investment in which they did not participate because, for example, they were excluded or excused by the General Partners or Investment Managers.

Contingency Reserves. Under certain circumstances, the General Partners or Investment Managers may find it necessary in connection with a distribution to establish one or more reserves for contingent liabilities by holding back a portion of amounts otherwise distributable to the investors until resolution of such contingency or contingencies. As such, investors may be unable to liquidate their entire investment in a Fund until such time as the General Partner or Investment Managers has determined that the need for such reserves has ceased. For example, such a reserve might be established if a Fund were subject to an audit by the IRS or involved in litigation.

Advisory Committee. Although an Advisory Committee is intended to act as the representative of the investors if an Advisory Committee is established, the interests of the members of an Advisory Committee may not be aligned with the interests of other investors. Furthermore, the Advisory Committee cannot be expected to be an expert in investing, and certain of its determinations may, in fact, adversely affect the performance of a Fund. For certain Funds, there may not be an Advisory Committee. Further, if any Advisory Committee is formed, its authority is limited by the relevant Governing Documents.

Dilution from Additional Closings. Investors that are admitted or increase their commitments at any subsequent closing will participate in existing investments, diluting the interests of existing investors therein. Although such investors will contribute their *pro rata* share of all previously drawn commitments (plus, at the General Partner's sole discretion, either (a) an interest equivalent thereon or (b) their proportionate share of the net increase in value of any investment held by a Fund), there can be no assurance that this payment will reflect the fair value of a Fund's existing investments at the time of such admission or increase.

Required Withdrawal. A General Partner, in its sole and absolute discretion, may require an investor to withdraw from a Fund if such investor's continued participation in a Fund could materially adversely affect a Fund, for example by creating a material risk that a Fund's assets would be treated as "plan assets" of any benefit plan investor, or result in a violation of any law, rule or regulation by a Fund, or otherwise require a Fund to register under the Investment Company Act. A mandatory withdrawal may have adverse effects on a Fund, the investors, and the withdrawing

investor.

Excuse and Exclusion from investments. Under certain limited circumstances, an investor may be excused from participating in an investment or the General Partner may exclude or limit the participation of an investor in an investment. In any such circumstance, each other investor may be requested to make an additional capital contribution to a Fund in respect of such investment, subject to certain limitations, thereby resulting in such other investor having an increased investment exposure in such investment than such investor would otherwise have had but for such excuse or exclusion event.

Concentration of investments. A Fund will participate in a limited number of investments and, as a consequence, the aggregate return of a Fund may be affected by the performance of a single investment. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies than anticipated and thus be less diversified. Because a Fund has the ability to concentrate its investments by investing up to 25% of the aggregate commitments in a single company except with regard to Bridge Financings, the overall adverse impact on a Fund of adverse movements in the value of the securities of a single issuer will be considerably greater than if a Fund were not permitted to concentrate its investments to such an extent.

Illiquid and Long-Term investments. Although investments may generate current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, it is generally expected that the disposition of most of a Fund's investments will not occur for a number of years after such investments are made. It is unlikely that there will be a public market for the securities held by a Fund at the time of their acquisition, and such securities may require a substantial length of time to liquidate. A Fund generally will not be able to sell the securities it holds of any investment publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases, a Fund may be prohibited or limited by contract from selling certain securities for a period of time and, as a result, may not be permitted to sell an investment at a time it might otherwise desire to do so.

Projections. A Fund may rely upon projections developed by the Investment Managers or a portfolio company concerning such company's future performance, outcome and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the Investment Managers and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values, outcomes and cash flow.

Expedited Transactions. Investment analyses and decisions by the General Partners and Investment Managers may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the General Partners and Investment Managers at the time an investment decision is made may be limited, and may not have access to detailed information regarding an investment. Therefore, no assurance can be made that the General Partner or Investment Managers will have knowledge of all circumstances that may adversely affect such investment.

Disposition of Private investments. Many of a Fund's investments will involve private securities, which are generally more difficult to sell than publicly traded securities, as there is often no liquid market which may result in selling interests at a discount. In connection with the disposition of an investment in private securities, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. A Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in the incurrence of contingent liabilities that may ultimately yield funding obligations that must be satisfied by the investors to the extent of their unfunded commitments or prior distributions made to such investors.

Risks in Effecting Operating Improvements. In some cases, the success of a Fund's investment strategy will depend, in part, on the ability to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such restructuring programs and improvements.

Investments Longer than Term. A Fund may make investments that, due to various reasons, may not be capable of an advantageous disposition prior to the date a Fund is required to be dissolved, either by expiration of a Fund's term or otherwise. A Fund may be required to sell, distribute in kind or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Portfolio investments in Less Established Companies. A Fund may invest a portion of its assets in less established companies. These companies may be characterized by short operating histories, evolving markets, intense competition and management teams that have limited experience working together. Investments in such early stage companies with no established products or services may involve greater risks than generally are associated with investments in more established companies. To the extent there is any public market for the securities held by a Fund in any such companies, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. As such, these investments should be considered highly speculative and may result in the loss of a Fund's entire investment.

Regulation Impacting investments. The industries targeted for investments by a Fund may be, in certain instances, highly regulated, both by domestic and foreign governmental agencies. Any such regulations may impact a Fund's ability to make an acquisition or disposition of an investment and how such investment is operated.

Equity Securities. A Fund may invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks

such as limited product lines, markets or financial resources. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting regularities. A Fund may experience a substantial or complete loss on individual equity securities.

Control Position. As part of its strategy, a Fund intends to seek certain investment opportunities that allow a Fund to either acquire control or exercise influence over the management, operation and strategic direction of certain portfolio companies in which it invests. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The exercise of control and/or significant influence over a portfolio company could expose the assets of a Fund to claims by such portfolio company, its other security holders and its creditors. While the General Partners and Investment Managers intend to manage a Fund in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Minority investments. To the extent a Fund does not acquire control or is unable to exert influence, a Fund may end up holding a minority equity investment in a portfolio company and a Fund may have more limited influence. Such portfolio companies may have economic or business interests or goals that are inconsistent with those of a Fund, and a Fund may not be in a position to protect the value of its investment in such portfolio companies. A Fund's control over the investment policies of such portfolio companies may also be limited. This could result in a Fund's investments being frozen in minority positions that incur substantial losses. Therefore, there can be no assurance that a Fund will be able to realize the value of any such investments and distribute proceeds in a timely manner. In addition, although a Fund may generally seek board representation in connection with its minority investments, there is no assurance that such representation, if sought, will be obtained.

Environmental Hazards. Under environmental laws enacted by U.S. federal and state governments, owners and lessees of property may be liable for the clean-up and removal of hazardous substances even where the present owner was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title. If any property acquired or leased by a portfolio company was found to have an environmental problem, the portfolio company could incur substantial costs and a Fund could suffer a complete loss of its investment in such portfolio company.

Cyber Security Breaches and Identity Theft. The Investment Managers' information and technology systems (or the information and technology systems of other service providers to a Fund) may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Investment Managers have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Investment Managers and/or a Fund may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Investment Managers and/or a Fund's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information

relating to investors (and the beneficial owners of investors). Such a failure could harm the Investment Managers reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

Currency Exchange Risk. Capital contributions to a Fund are payable in U.S. dollars and a Fund's assets will be valued in U.S. dollars. Certain of a Fund's investments may be denominated in the currencies other than the U.S. dollar, and hence the value of such investments will depend in part on the relative strength of the U.S. dollar. A Fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar, as well as the transaction costs associated with converting foreign currencies into U.S. dollars. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the level of gains and losses realized on the sale of such investments. The rates of exchange between the U.S. dollar and other currencies are affected by many factors, including forces of supply and demand in the foreign currency exchange markets. Exchange rates also are affected by the international balance of payments and other economic and financial conditions, government intervention, speculation and other factors. A Fund is not obligated to engage in any currency hedging operations, and there can be no assurance as to the success of any hedging operations that a Fund may implement.

Possible Hedging. A Fund may, but is not required to, seek to minimize the risk of a decrease in the value of one or more investments by using certain hedging strategies. The use of hedging strategies is a highly specialized activity and there can be no assurance that their use will achieve the intended result. These hedging strategies may limit the ability of a Fund to profit from the increase in the value of an investment above a certain price. In addition, if judgments made with respect to exchange rates, interest rates, market conditions or trends are not correct, these hedging strategies could result in losses to a Fund. Hedging also entails additional risks, including counterparty credit risk and market liquidity risk. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives. Thus, while a Fund and the portfolio companies may benefit from the use of hedging instruments, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for a Fund and the portfolio companies than if they had not used those hedging instruments.

Leverage. Certain of a Fund's investments may include portfolio companies whose capital structures have significant leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Portfolio companies may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such companies. If for any of these reasons a portfolio company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of a Fund's investment in such portfolio company could be significantly reduced or even eliminated.

Guarantees of Portfolio Companies. A Fund may guarantee the obligations of portfolio companies of a Fund. As a result, if any such portfolio company defaults on its obligations, a Fund will be required to satisfy such obligation. In order to do so, a Fund may call capital, recall distributions or liquidate some or all of the investments prematurely at potentially significant discounts to fair value. However, a Fund may not have outstanding guarantees of portfolio company loans or other extensions of credit (at the time of issuance of any such guarantee) in

excess of unfunded commitments, which should mitigate the likelihood that investments would need to be liquidated or distributions recalled in order to satisfy any such obligations.

Credit Facility Debt. A Fund may utilize indebtedness that is secured by commitments. Investors whose commitments have been pledged may be called upon to fund their entire commitment to repay indebtedness, and the failure of other investors to honor their commitments may result in an Investor's payments exceeding its pro rata share of the indebtedness.

Bridge Financings. From time to time, a Fund may lend to portfolio companies on a short-term, unsecured basis, or otherwise invest on an interim basis in portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. However, for reasons not always in a Fund's control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. Any such loan made by a Fund involves the risk of loss of the entire amount of such loan. In addition, by making such loans, a Fund may be subject to various laws and regulations applicable to lenders and the holding of such loans could potentially subject a Fund to various "lender liability" risks. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the position taken by a Fund.

Investments in Restructurings. A Fund may invest in the instruments of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization or liquidation proceedings. Although such investments may result in significant returns to a Fund, they involve a substantial degree of risk. Any one or all of such companies may be unsuccessful in their reorganization and their ability to improve their operating performance. In the case of liquidations, the proceeds realized through the liquidation process may be significantly less than originally projected at the time of investment. Further, the level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. This is compounded by the fact that the type of investments that a Fund will target are, in general, companies for which there is much less public information or research available. There is no assurance that the Investment Managers will correctly evaluate the intrinsic value of any or all of the companies in which a Fund invests. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, a Fund may lose its entire investment, or may be required to accept cash or securities with a value less than a Fund's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from such investments may not compensate a Fund adequately for the risks assumed.

Industry and Economic Context. Although the Investment Managers will focus on companies and assets which it believes have an intrinsic value that can be realized through a restructuring, companies undergoing a reorganization are unusually vulnerable to adverse industry developments including new regulation, increased competition, increased bargaining power of the suppliers and/or overall macro-economic changes such as a slowdown of the economy or exchange rates that favor competitors from foreign countries.

Nature of Reorganization Proceedings. Investments in the debt or equity of companies involved in reorganization proceedings typically entail a number of risks that do not normally apply to investments in financially sound companies. For example, if the Investment Managers' evaluation of the anticipated outcome of a reorganization or the timing of such outcome should

prove incorrect, a Fund could experience losses. A wide variety of considerations make any evaluation of the outcome of an investment in such a company uncertain. Such considerations include, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit the access of the Investment Managers to reliable and timely information concerning material developments affecting a company, or which cause lengthy delays in the completion of a reorganization or liquidation proceeding. Competition from other investors may also render it difficult or impossible for a Fund to achieve intended results or promptly effect transactions.

Risks Associated with Bankruptcy Cases. A Fund's investment activities, particularly involving companies in distressed situations, may result in a Fund becoming involved as a creditor in bankruptcy cases. In addition, a Fund may purchase securities or assets of, or claims against, companies in bankruptcy. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions which may be contrary to the interests of a Fund. Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and a Fund; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to reorganize and may be required to liquidate assets. The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during the reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal. There are instances where creditors and equity holders lose their ranking and priority as such when they take over management and functional operating control of a debtor. In those cases where a Fund, by virtue of such action, is found to exercise "domination and control" of a debtor, a Fund may lose its priority if the debtor can demonstrate that it was adversely impacted or other creditors and equity holders were harmed by a Fund. A Fund may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Non-U.S. investments. A Fund may invest outside of the United States and Canada, including in portfolio companies located in emerging markets. Foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which foreign investments may be denominated, and costs associated with conversion of investment principal and income from one currency into another, or differences between the U.S. and foreign securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, (b) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (c) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital and

the risks of political, economic or social instability, (d) obtaining foreign governmental approvals and complying with foreign laws, (e) the possible imposition of foreign taxes on income and gains recognized with respect to such securities and (f) less developed corporate laws regarding fiduciary duties and the protection of investors. A Fund's returns on its U.S. investments may not be indicative of the results it may achieve on investments located in foreign countries. Anti-fraud and anti-insider trading legislation in these countries may be rudimentary. There may be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio company's assets, or otherwise materially affect the value of such portfolio company without the consent of such portfolio company's shareholders. Anti-dilution protection also may be very limited. In certain of these countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders may be limited. The legal systems in these countries may offer no effective means for a Fund to seek to enforce its rights or otherwise seek legal redress or to seek to enforce foreign legal judgments.

Market Uncertainty due to COVID-19. A Fund's strategy relies, in part, upon the global economy and overall conditions of the market (including, for example, supply and demand characteristics). The severity of the impact of the COVID-19 pandemic (commonly referred to as the coronavirus) ("COVID-19") on the global economy is significant and the lasting effects of the pandemic remain uncertain. The coronavirus has created a climate of heightened uncertainty and introduced new and difficult-to-quantify macroeconomic and political risks with potentially far-reaching implications. There has been a corresponding meaningful increase in the uncertainty surrounding interest rates, inflation, foreign exchange rates, trade volumes and fiscal and monetary policy. The coronavirus pandemic may impair a Fund's ability to raise enough capital to make investments and perform its investment strategy. Even if a Fund is able to raise capital, underlying credit performance of project finance, real estate, commercial lending and infrastructure assets may deteriorate to the extent that economic or market conditions worsen. No assurance can be given that the investments can be acquired or disposed of on favorable terms or that the market for such assets will remain stable or improve, since this will depend, in part, upon events and factors outside of the control of the General Partners and Investment Managers. The impact of the coronavirus in certain areas with large and crowded cities may be especially severe. The financial performance of a Fund's future investments will depend on multiple factors, including but not limited to, the overall duration of the pandemic, the related governmental advisories and restrictions in place to help suppress the spread of COVID-19, and the scale and scope of any fiscal intervention and support measures implemented by governments, central banking entities and monetary policymakers. The interplay and timing of how these and other factors will work together and their overall impact on the financial markets and the global economy are highly uncertain and cannot be predicted. If the duration of the pandemic and the financial markets and/or the global economy are negatively impacted for an extended period of time, a Fund may fail to commence operations and investment results may be materially adversely affected. COVID-19 may cause employees of the Investment Managers and certain other service providers to a Fund to be absent from work or work remotely for prolonged periods of time. The ability of such employees of the Investment Managers and service providers to a Fund to work effectively on a remote basis may adversely impact the day to day operations of a Fund. Any similar future outbreak or pandemic could have similar potential adverse effects on the global economy and a Fund.

General Economic Conditions. General economic conditions may affect a Fund's activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by a

Fund, or considered for prospective investment. A Fund's investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of a Fund's investments. No assurances can be given as to the effect of these events on a Fund's investment objectives.

Financial Market Fluctuations. Material changes and fluctuations in the economic environment, particularly of the type experienced since 2008 that caused significant dislocations, illiquidity and volatility in the wider global economy, may affect a Fund's ability to make investments and the value of investments held by a Fund. Any economic downturn resulting from a recurrence of such marketplace events and/or continued volatility in the financial markets could adversely affect the financial resources of portfolio companies. Such marketplace events also may restrict the ability of a Fund to make new investments, or sell or liquidate investments at favorable times or for favorable prices.

Inflation Risks. A Fund's performance may be adversely affected by inflationary conditions in any market in which the Fund operates or in which its investments are located. Deterioration in economic conditions, or a significant rise in inflation, could cause a decrease in the relative value of any fixed income investments (or similar investments with fixed rates of return), bankruptcy and insolvency filings to increase, and the ability of borrowers to pay their debts or counterparties to satisfy their obligations could be adversely affected. This may in turn adversely impact a Fund's business and financial results. If global credit market conditions and the stability of global banks deteriorate, the amount of lending and financing could be reduced, thus reducing the volume of investments available for purchase, which could adversely affect a Fund's business, financial results and ability to succeed in various markets. Other factors associated with the economy that could influence a Fund's performance include the financial stability of the lenders on any bank loans and credit facilities and a Fund's access to capital and credit. Furthermore, inflationary pressures may result in the reduction of the value and relative performance of a Fund's portfolio companies.

Geopolitical Risks. An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments, negatively impact market value, increase market volatility and cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on a Fund's returns. No assurance can be given as to the effect of these events on the value of or markets for investments.

Fraud. Of paramount concern in purchasing securities and other assets is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of a portfolio company or other asset. A Fund relies upon the accuracy and completeness of representations made by counterparties to the extent reasonable and appropriate, but cannot guarantee that such representations are accurate or complete. Under certain circumstances, distributions to a Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance.

Co-investments with Third Parties. A Fund may co-invest with third parties through jointly owned acquisition vehicles, partnerships, or other structures. In such situations, a Fund's ability to control

its equity investments will depend upon the nature of the joint investment arrangements with such partners and a Fund's relative ownership stake in such investments. A Fund may be a minority investor in these circumstances. In addition, such arrangements may restrict a Fund's ability to dispose of its investments for potentially significant periods of time. Such investments may involve risks not present in investments where a third party is not involved. A co-venturer or partner of a Fund may at any time have economic or business interests or goals which are inconsistent with those of a Fund and may be in a position to take (or block) action inconsistent with a Fund's investment objectives. A Fund may be liable for certain actions of its co-venturers or partners. Co-investments may also involve higher costs than other investments. Co-venturers or partners potentially may include investors and certain Fund investors.

Reliance on Portfolio Company Management. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the General Partners and the Investment Managers will be responsible for monitoring the performance of each investment and generally intends to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to successfully operate the portfolio company in accordance with a Fund's plans.

Follow-On investments. Following its initial investment in a portfolio company, a Fund may be asked to provide additional funds to, or have the opportunity to increase its investment in, such portfolio company. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient resources to, or be permitted to, make all such investments. Any decision by a Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on the portfolio company in need of such investment, may result in missed opportunities for a Fund or may result in a dilution of a Fund's investment. There can be no assurance that a follow-on investment will be successful.

Counterparty Risk. A Fund will be subject to the risk of the inability of counterparties and custodians to perform with respect to transactions or to safeguard assets, whether due to insolvency, bankruptcy or other causes, which could subject a Fund to incur substantial losses. In an effort to mitigate such risks, the General Partners and Investment Managers will attempt to limit transactions and entrust assets to counterparties which it believes are established, well-capitalized and creditworthy.

Failure of Counterparties to Perform Obligations. In its ordinary course of business, the Firm relies on various counterparties, which include, but is not limited to, brokers, dealers, banks, custodians, and administrators ("Counterparties"). These Counterparties, with which the Firm does business and on behalf of a Fund, may, from time to time, default on their obligations with or without notice. Such defaults include, but are not limited to, a Counterparty's bankruptcy, insolvency, or other failure. A Counterparty's default on their obligations may impact the Firm's or the Fund's ability to conduct its business in the ordinary course. There is a risk of loss of assets on deposit at the Counterparty. Although government agencies or other organizations provide insurance coverage to depositors in the event of a Counterparty failure, coverage is limited to a specified amount and subject to rules and regulations. Prior events where a government agency or other organization stepped in to make depositors whole over their excess deposits at select Counterparties, which may or may not have a current or prior relationship with the Firm or the Fund, should not be construed as a guarantee that such action will be taken in the future. There is no guarantee that any excess deposits are recoverable. In the event of a Counterparty's default, the Firm will work

diligently to access its capital and take actions it deems appropriate while acting in the best interest of the Fund. However, the Firm's access to capital is subject to a variety of external factors that are outside of the Firm's control, including the timing of default, a government agency's or other organization's actions, including the timing of the Counterparty's closure, ability to liquidate the Counterparty's assets, or to effect the Counterparty's sale or dissolution, unforeseeable economic factors or market conditions, and the Counterparty's technology infrastructure operating as intended to facilitate access. Furthermore, the Firm's ability to access capital may have an impact on the Firm's and the Fund's ability to conduct operations in the normal course including, but not limited to paying expenses, funding investment opportunities resulting in delayed or missed opportunities, and calling capital from or making distributions to limited partners. Deposits concentrated at one or a limited number of Counterparties may amplify these risks.

Litigation. Litigation can and does occur in the ordinary course of the management of an investment portfolio of securities. A Fund may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where a Fund exercises control or significant influence over a portfolio company's direction, including as a result of board participation. Such litigation can arise as a result of issuer defaults, issuer bankruptcies and/or other reasons. In certain cases, such issuers may bring claims and/or counterclaims against a Fund, the General Partners, or Investment Managers, and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant damages. The expense of defending against claims made against a Fund by third parties and paying any amounts pursuant to settlements or judgments would, to the extent that (a) a Fund has not been able to protect itself through indemnification or other rights against the portfolio companies, (b) a Fund is not entitled to such protections or (c) the portfolio company is not solvent, be borne by a Fund pursuant to indemnification obligations and reduce net assets. The Investment Managers, the General Partners and others may be indemnified by a Fund in connection with such litigation, subject to certain conditions.

Diverse Investor Group. The investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partners or Investment Managers, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In addition, a Fund may make investments which may have a negative impact on related investments made by the investors in separate transactions. In selecting, structuring and managing investments appropriate for a Fund, the General Partners and Investment Managers will generally consider the investment and tax objectives of a Fund as a whole, and not the investment, tax or other objectives of any investor individually.

Public Disclosure. Some of the interests will be held by investors, such as public pension plans and listed investment vehicles, which are subject to public disclosure requirements. The amount of information about their investments that is required to be disclosed has increased in recent years, and that trend may continue. To the extent that disclosure of confidential information relating to a Fund or portfolio companies results from interests being held by public investors, a Fund may be adversely affected. The General Partners and Investment Managers may, in order to prevent any such potential disclosure, withhold information otherwise to be provided to such public investors.

Conversely, potential future regulatory changes could result in a Fund becoming subject to additional disclosure requirements, the specific nature of which is as yet uncertain.

Limited Access to Information. Investors' rights to information regarding a Fund will be specified, and strictly limited, in the subscription documents for the relevant Fund under consideration. In particular, it is anticipated that the General Partners and Investment Managers will obtain certain types of material information from investments that will not be disclosed to investors because such disclosure is prohibited for contractual, legal or similar obligations outside of the General Partner's or Investment Manager's control. Decisions to withhold information may have adverse consequences for investors in a variety of circumstances. For example, an investor that seeks to transfer its interests may have difficulty in determining an appropriate price for such interests. Decisions to withhold information also may make it difficult for investors to monitor the General Partners, Investment Managers, and their performance. Additionally, it is expected that investors who designate representatives to participate on an Advisory Committee may, by virtue of such participation, have more information about a Fund and investments in certain circumstances than other investors generally and may be disseminated information in advance of communication to other investors generally.

Taxation in Other Jurisdictions. If a Fund makes investments in a jurisdiction outside the United States, a Fund or Investors may be subject to income or other tax in that jurisdiction. Additionally, withholding tax or branch tax may be imposed on earnings of a Fund from investments in such jurisdictions. In addition, local tax incurred in non-U.S. jurisdictions by a Fund or vehicles through which they invest may not be creditable to or deductible by investors.

Uncertainty and Complexity of Tax Treatment. The tax aspects of an investment in a Fund are complicated and complex and, in many cases, uncertain. Statutory provisions and administrative regulations have been interpreted inconsistently by the courts. Additionally, some statutory provisions remain to be interpreted by administrative regulations. Investors will thus be subject to the risk caused by the uncertainty of the tax consequences with respect to an investment in a Fund. Each prospective investor should have the tax aspects of an investment in a Fund reviewed by professional advisors familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles.

Tax Changes. Investors will be subject to the risk that changes to the tax law may adversely affect the U.S. federal income tax consequences of their investment in a Fund. Changes in existing tax laws or regulations and their interpretation may be enacted after the date of the offering documents or Governing Documents for the specific Fund under consideration, possibly with retroactive effect, and could alter the income tax consequences of an investment in a Fund. Certain provisions of the U.S. Internal Revenue Code of 1986, as amended from time to time, may be further amended or interpreted in a manner adverse to a Fund, in which event any benefits derived from an investment in a Fund may be adversely affected. In addition, significant legislative and budgetary proposals affecting tax laws have been made by the legislative and executive branches of the U.S. federal government. The likelihood of enactment of any such proposals, or any similar proposals, into law is uncertain. The enactment of any such proposals, including subsequent proposals, into law could have material adverse effects on a Fund and/or the investors. Enactment of such legislation, or similar legislation, could require significant restructuring of a Fund in order to mitigate such effects.

Item 9. Disciplinary Information

The Investment Managers have not been involved in any legal or disciplinary events that would be material to a Client's or Investor's evaluation of the Firm.

Item 10. Other Financial Industry Activities and Affiliations

As outlined in Item 4 above, the Investment Managers advise and sponsor privately offered pooled investment vehicles. The General Partners of the Funds are deemed to be Related Persons and Advisory Affiliates, as those terms are defined in the Advisers Act.

Further, the Investment Managers and General Partners are directly or indirectly controlled by or under common control with BHMS and ultimately Kevin L. Angelis and Robert L. Salamon.

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

Pursuant to Rule 204A-1 of the Advisers Act, the Investment Managers have adopted a written Code of Ethics (the "Code") predicated on the principal that the Firm owes a fiduciary duty to the Clients and its Investors. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners and employees of the Investment Managers (collectively "Supervised Persons"). The Firm requires all Supervised Persons to act in the Clients' best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

The Investment Managers' Code prohibits Supervised Persons from trading in certain securities and requires Supervised Persons to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Investment Managers with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Supervised Persons have a direct or indirect beneficial interest.

A copy of the Investment Managers' Code shall be provided to any investor or prospective investor upon request.

The Investment Managers, its partners, and certain employees will generally have a direct or indirect investment in the Funds. Therefore, the Investment Managers may be considered to participate, indirectly, in transactions effected for the Funds. Investments made by the Investment Managers, its partners, and employees are generally made on the same terms as investors in the Funds. However, fees and investment minimums may be waived or reduced for the Investment Managers, its partners, and employees. The Investment Managers do not believe this arrangement presents any material conflicts of interest since its interests are aligned with the interests of Fund investors.

Item 12. Brokerage Practices

The Investment Managers do not anticipate engaging in brokerage activities. Investments will generally be made in portfolio companies. However, to the extent that the Investment Managers are required to conduct brokerage transactions on behalf of a Fund, it will do so subject to the terms outlined in the relevant Governing Documents and consistent with its best execution obligations.

Item 13. Review of Accounts

The Investment Managers along with its investment personnel continually supervise each Fund and monitor the investments held within as part of its investment process. The Investment Managers' staff will be involved with all investments on an ongoing basis and will monitor Funds regularly.

Investors in the Funds receive information pursuant to the terms of the Governing Documents. On an annual basis, all investors in the Funds will receive annual audited financial statements within 120 days of the Fund's fiscal year end.

Item 14. Client Referrals and Other Compensation

The Investment Managers have not engaged third-party marketers to obtain client referrals on its behalf and does not receive any compensation for referring advisory clients to any third-party.

Historically, BHMS had retained Triago, a registered broker-dealer, to solicit commitments from prospective investors in Funds that are no longer raising capital. BHMS may enter into a similar arrangement with a registered broker-dealer with respect to the offering of interests in future Funds. Compensation to such broker-dealers are typically in the form of a non-refundable, non-credited fee based on a variable percentage of the total of such commitments, in addition to the reimbursement of certain expenses.

Item 15. Custody

All Fund assets are held in custody by unaffiliated broker/dealers or banks as provided under Rule 206(4)-2. However, as mentioned in Item 10 above, the Investment Managers will generally be affiliated with the General Partners of each of the Funds. In accordance with Rule 206(4)-2 under the Advisers Act, the Investment Managers are therefore deemed to have custody of the Funds' assets.

To comply with Rule 206(4)-2 and to provide meaningful protection to investors, each Fund will be subject to an annual financial statement audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles ("US GAAP") and will be distributed to each investor within 120 days of the relevant Fund's fiscal year end.

Item 16. Investment Discretion

The Investment Managers manage the Funds' accounts on a discretionary basis, subject to the terms of the relevant Governing Documents.

Item 17. Voting Client Securities

The Advisers Act requires investment advisers that have proxy voting authority to: (i) adopt policies and procedures for voting proxies in the best interest of the client; (ii) describe the procedures to clients; and (iii) inform clients how they may obtain information about how the adviser has actually voted their proxies.

As a result of the investment strategy pursued, the Investment Managers do not anticipate receiving proxy ballots. In situations in which investments held by the Funds issue a proxy ballot, the Investment Managers will vote the ballot in what it deems to be the best interests of the relevant Fund, in accordance with its fiduciary duty.

Item 18. Financial Information

The Investment Managers have never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Funds.