



## **Risk Factors Associated with Purchasing Common Shares in Conihasset Capital Partners, Inc. (Pink Sheets: CNHA)**

**September 2009**

*Investing in our common stock involves a number of significant risks. We cannot assure you that we will achieve our investment objective. In addition to the other information contained in this prospectus, you should consider carefully the following information before making an investment in our common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.*

### **Risks Related to our Business**

*The Company has a limited operating history and there is limited public information about us.*

The Company was incorporated on March 1, 2006 in the State of Delaware. As a result, the Company has limited financial history upon which you can evaluate an investment in the Company. In addition, on November 13, 2007 our Board of Directors voted to file Form 15 with the Securities and Exchange Commission thereby suspending our requirement to file quarterly reports, annual reports, proxy statements etc... Therefore, there is limited information regarding our financial performance since that filing in the public domain. In addition, our Company is subject to all of the business risks and uncertainties associated with any new business, including the risks that it will not achieve its business objectives. As a result the value of your investment could decline substantially.

*Our sole market is the highly cyclical semiconductor industry, which can cause a cyclical impact on our financial results.*

We sell spare and consumable spare parts for the capital equipment and machinery that designs, manufactures, assembles, and test semiconductor devices. The semiconductor industry is highly cyclical, which could cause a cyclical impact on our financial results. In fiscal 2008, the industry entered what many analysts believe to be period of intense industry wide contraction. A failure to expand the business we have acquired during the current upturn in the industry business may hamper our ability to meet customer demand and delivery requirements. Conversely, our failure to properly contract our operations in cycle downturns at a pace consistent with cycles in the industry could have an adverse effect on our business.

The Financial Crises of 2008 and 2009 has caused a significant downturn in the markets for our customers' semiconductor manufacturing or in general economic conditions resulted in a drastic reduction in demand for our products and services that hurt our business. Downturns in semiconductor manufacturing have been characterized by diminished product demand, excess production capacity, accelerated erosion of selling prices and excessive inventory levels. We believe the markets for newer generations of devices will also experience similar characteristics. Our market is also characterized by rapid technological change and changes in customer demand. In the past, we have experienced delays in commitments, delays in collecting accounts receivable and significant declines in demand for our products during these downturns,. As a result, we cannot be certain that we will be able to maintain or exceed our current level of sales.

## Conihasset Capital Partners Inc

Additionally, as a supplier in spare and consumable parts, in times of industry downturn our revenue is driven by the need of our customers to produce larger volumes of semiconductor wafers at reduced prices to the electronic device and appliance manufacturers. Because a high proportion of our costs are fixed, we are limited in our ability to reduce expenses and inventory purchases quickly in response to decreases in orders and revenues. In a contraction environment, we may not be able to reduce our significant fixed costs, such as continued investment in research and development and capital equipment requirements and materials purchases from our suppliers.

***The market for semiconductors is highly concentrated, and we have limited opportunities to sell our products.***

The semiconductor industry is highly concentrated and is dominated by a small number of global companies with semiconductor manufacturing fabrication facilities around the globe. A small number of semiconductor fabricators account for a substantial portion of the revenues for the companies we currently own, as well as the companies we would like to acquire. In addition, our customers may cancel orders with few or no penalties. If a major customer reduces orders for any reason, our revenues, operating results, and financial condition may be negatively affected.

Our ability to increase our sales will be partly dependent on our ability to obtain orders from new customers. Semiconductor manufacturers select a particular vendor's spare and consumable supply program based upon the price and delivery capabilities of the vendor as compared to much larger companies offering substantially the same products and inventory management programs. Once a manufacturer has selected a vendor for a particular fabrication facility, that manufacturer is more likely to purchase additional spare and consumable parts and supplies from that vendor. Therefore, the opportunities to obtain orders from new customers may be limited.

***Our sales and operating results may fluctuate significantly from period to period, including from one quarter to another.***

Our quarterly and annual operating results have been and may continue to be effected by a wide variety of factors that could adversely affect sales or profitability or lead to significant variability in our operating results or our stock price. This may be caused by a combination of factors, including the following:

- order cancellations by customers;
- lower gross margins in any particular period due to changes in:
  - our product mix,
  - the configurations of fluid systems sold,
  - the customers to whom we sell these systems, or
  - Reduced volume.
- a long sales cycle, due to the high selling price of our fluid systems, the significant investment made by our customers, and the time required to incorporate our systems into our customers' design or manufacturing process; and
- changes in the timing of product orders due to:
  - unexpected delays in the introduction of products by our customers,
  - shorter than expected lifecycles of our customers' semiconductor devices,
  - uncertain market acceptance of products developed by our customers, or
  - our research and development.

## Conihasset Capital Partners Inc

We cannot predict the impact of these and other factors on our sales and operating results in any future period. Results of operations in any period, therefore, should not be considered indicative of the results to be expected for any future period. Because of this difficulty in predicting future performance, our operating results may fall below expectations of securities analysts or investors in some future quarter or quarters. Our failure to meet these expectations would likely adversely affect the market price of our common stock.

A substantial amount of the shipments of our fluid systems may occur late in any particular quarter. Our shipment pattern may expose us to significant risks in the event of problems during the complex process of final integration, test and acceptance prior to shipment. If we were to experience problems of this type late in our quarter, shipments could be delayed and our operating results could fall below expectations.

***Future acquisitions may be difficult to integrate, disrupt our business, dilute stockholder value or divert management attention.***

We have in the past, and may in the future, acquire or invest in additional complementary businesses, products, technologies or engineers. We may have to issue debt or equity securities to pay for future acquisitions, which could be dilutive to the then current stockholders. We have also incurred and may continue to incur certain liabilities or other expenses in connection with acquisitions, which could continue to materially adversely affect our business, financial condition and results of operations.

Mergers and acquisitions of high-technology companies are inherently risky, and no assurance can be given that future acquisitions will be successful and will not materially adversely affect our business, operating results or financial condition. Our past and future acquisitions may involve many risks, including:

- difficulties in managing our growth following acquisitions;
- difficulties in the integration of the acquired personnel, operations, technologies, products and systems of the acquired companies;
- uncertainties concerning the intellectual property rights we purport to acquire;
- unanticipated costs or liabilities associated with the acquisitions;
- diversion of managements' attention from other business concerns;
- adverse effects on our existing business relationships with our or our acquired companies' customers;
- potential difficulties in completing projects associated with purchased in process research and development; and
- inability to retain employees of acquired companies.

Any of the events described in the foregoing paragraphs could have an adverse effect on our business, financial condition and results of operations and could cause the price of our common stock to decline.

***We closed one of our subsidiaries, MRO Integrated Solutions ("MRO") on May 29, 2009 as it has been unable to attain profitable operations in the two years since we acquired it. We may face litigation as a result of this action.***

We acquired MRO Integrated Solutions on June 30, 2007. We issued 300,000 shares of our common stock at \$5.00 per share and converted to equity MRO's \$1,500,000 indebtedness to us for total consideration of \$3,000,000. MRO has never been able to achieve its stated business plan at the time we acquired it and has been unprofitable throughout its existence. We closed MRO on May 29, 2009 and are in the process of liquidating its assets though we retain the right to put MRO into bankruptcy or some other liquidation proceeding in the future. Proceeds from the liquidation will be paid to cover the costs of liquidation and used to repay the unsecured creditors of MRO. We do not expect there to be sufficient proceeds from the liquidation to repay any of the investment CCP has made in MRO. In 2008 we wrote down 100% of the

## Conihasset Capital Partners Inc

value of our investment in MRO and have taken the appropriate charges to reflect this loss. In addition, Conihasset Capital Partners and Diversified Fluid Systems may face litigation from creditors and investors as a result of this action.

***We may not be able to deliver custom vendor managed inventory options to satisfy specific customer needs in a timely manner.***

We must develop and deliver customized vendor managed inventory (“VMI”) programs to meet our customers’ specific requirements. Our programs may fail to meet our customers’ technical or cost requirements and may be replaced by competitors’ equipment or an alternative technology solution. Our inability to provide a test system that meets requested performance criteria, when required by a device manufacturer, would severely damage our reputation with that customer. This loss of reputation may make it substantially more difficult for us to sell fluid systems to that manufacturer for a number of years. We have, in the past, experienced delays in introducing some of our products and enhancements.

***Our market is highly competitive, and we have limited resources to compete.***

Certain of our major competitors have substantially greater financial resources and more extensive engineering, manufacturing, marketing, and customer support capabilities.

We expect our competitors to enhance their current products and to introduce new products with comparable or better price and performance. The introduction of competing products could hurt sales of our current and future products. In addition, new competitors, including semiconductor manufacturers themselves, may offer new testing technologies, which may in turn reduce the value of our product lines. Increased competition could lead to intensified price-based competition, which may hurt our business and results of operations. Unless we are able to invest significant financial resources in developing products and maintaining customer support centers worldwide, we may not be able to compete effectively.

***We may not be able to pay our debt and other obligations.***

If our cash flow is inadequate to meet our obligations, we could face substantial liquidity problems.

***We may need additional financing, which could be difficult to obtain.***

We expect that our existing cash and marketable securities, and borrowings from available bank financings, will be sufficient to meet our cash requirements to fund operations and expected capital expenditures for the foreseeable future. In the event we may need to raise additional funds, we cannot be certain that we will be able to obtain such additional financing on favorable terms, if at all. Further, if we issue additional equity securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of common stock. Future financings may place restrictions on how we operate our business. If we cannot raise funds on acceptable terms, if and when needed, we may not be able to develop or enhance our products and services, take advantage of future opportunities, grow our business or respond to competitive pressures, which could seriously harm our business.

***The Company is dependent upon our President and Chief Executive Officer for its future success.***

The Company depends on the diligence, skill and network of business contacts its management. In particular we rely on the continued service and coordination of its senior management team, particularly, Richard D. Bailey, its President and Chief Executive Officer. If Mr. Bailey were to leave the Company, it could have a material adverse effect on the Company’s ability to move forward.

## Conihasset Capital Partners Inc

***The Company's board of directors may change its operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.***

The Company's board of directors has the authority to modify or waive its current operating policies and strategies without prior notice and without stockholder approval. The Company cannot predict the effect any changes to its current operating policies and strategies would have on its business, operating results and value of its stock. However, the effects might be adverse, which could negatively impact the Company's ability to pay dividends and cause investors to lose part or all of their investment.

***Investing in the Company's shares may involve an above average degree of risk. You may lose 100% of your investment.***

The investments the Company makes in accordance with its investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. The Company's investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in its shares may not be suitable for someone with lower risk tolerance.

***Our largest stockholder has significant influence over our management and affairs.***

Our largest shareholder, Hummingbird Value Fund ("Hummingbird"), collectively own approximately 40% of our common stock. The Hummingbird Funds are managed by Hummingbird Capital Management. Additionally, Paul D. Sonkin, the Managing Member of Hummingbird Capital Management and the Hummingbird, is a member of our. As a result, Mr. Sonkin may be able to exert influence over our management and policies. The Hummingbird Funds may acquire additional shares of our equity securities in the future. This concentration of ownership may also have the effect, of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

***There is a limited trading market for our common stock.***

Our common shares currently trade on the Pink Sheets under the ticker symbol "CNHA". Our trading volume is very limited. Many broker dealers and investment bank will not participate in the purchase, sale or solicitations of purchases or sales in securities traded on the Pink Sheets. Therefore, purchasers and holders of our common stock will not be able to sell their shares or may be forced to realize a substantial loss of their investment capital in the event that a change in their investment objectives merit the sale of their shares.

## **Conihasset Capital Partners Inc**

***Terrorist attacks and other acts of violence or war may affect any market for the Company's common stock, impact the businesses in which the Company invests and harm its operations and its profitability.***

Terrorist attacks may harm the Company's results of operations and your investment. The Company cannot assure you that there will not be further terrorist attacks against the United States or United States businesses. Such attacks or armed conflicts in the United States or elsewhere may impact the businesses in which the Company invests directly or indirectly, by undermining economic conditions in the United States. Losses resulting from terrorist attacks are generally uninsurable.

***Certain provisions of the Company's certificate of incorporation and bylaws as well as the Delaware General Corporation Law could deter takeover attempts and have an adverse impact on the price of the Company's common stock.***

The Company's certificate of incorporation and bylaws as well as the Delaware General Corporation Law contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for the Company. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of its common stock the opportunity to realize a premium over the market price for its common stock.

***We may experience fluctuations in our quarterly results.***

We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the level of our expenses, variations in and the timing of the recognition of realized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

***Our financial condition and results of operations will depend on our ability to manage growth effectively.***

Our ability to achieve our investment objective will depend on our ability to grow, which will depend, in turn, on our management team's ability to identify, evaluate and monitor, and our ability to finance and invest in, companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis will be largely a function of our management team's handling of the investment process, its ability to provide competent, attentive and efficient services and our access to financing on acceptable terms. In addition to monitoring the performance of our existing investments, members of our management team and our investment professionals may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow the rate of investment. In order to grow, we will need to hire, train, supervise and manage new employees. However, we cannot assure you that any such employees will contribute to the success of our business. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

***Changes in laws or regulations governing our operations may adversely affect our business.***

We and our subsidiaries are subject to local, state and federal laws and regulations. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations could have a material adverse effect on our business.

***Our board of directors may change our operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.***

## Conihasset Capital Partners Inc

Our board of directors has the authority to modify or waive our current operating policies and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay you dividends and cause you to lose all or part of your investment.

### ***Economic recessions or downturns impair our abilities and harm our operating results.***

The companies we currently own and intend to acquire may be susceptible to economic slowdowns or recessions and may be unable to repay our debt investments during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our debt investments and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

### ***Investing in our shares may involve a high degree of risk.***

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

### ***The market price of our common stock may fluctuate significantly.***

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in earnings or variations in operating results;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of our key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

### ***We do not expect to pay any cash dividends for the foreseeable future.***

We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends in the foreseeable future should not purchase our common stock.

***If securities analysts do not publish research or reports about our business or if they downgrade our stock, the price of our stock could decline.***

## Conihasset Capital Partners Inc

The research and reports that industry or financial analysts publish about us or our business will likely have an effect on the trading price of our common stock. If an industry analyst decides not to cover us, or if an industry analyst decides to cease covering us at some point in the future, we could lose visibility in the market, which in turn could cause our stock price to decline. If an industry analyst downgrades our stock, our stock price would likely decline rapidly in response.

***Terrorist attacks, acts of war or national disasters may impact the businesses in which we invest and harm our business operating results and financial condition.***

Terrorist acts, acts of war or national disasters may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition.

***Certain provisions of our restated certificate of incorporation and restated bylaws as well as the Delaware General Corporation Law could deter takeover attempts and have an adverse impact on the price of our common stock.***

Our restated certificate of incorporation and our restated bylaws as well as the Delaware General Corporation Law contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the purchase price for our common stock.