



# **Form ADV Part 2A: Firm Brochure**

## **Huron Capital Partners LLC**

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### **Principal Office**

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This brochure provides information about the qualifications and business practices of Huron Capital Partners LLC and its affiliates (collectively “HCP” or “Advisor”). For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting [www.sec.gov/rules/final/2010/ia-3060.pdf](http://www.sec.gov/rules/final/2010/ia-3060.pdf). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at 313-962-5810 or email [dreynolds@huroncapital.com](mailto:dreynolds@huroncapital.com). Additional information about HCP is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

HCP 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.

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### Item 4: Advisory Business

HCP is a private equity firm organized in 1999 as a limited liability company under the laws of the State of Michigan. The founding principals who currently own and control HCP are William C. Campbell, William F. McKinley, Scott A. Reilly and Brian A. Demkowicz. The day to day investment activities of HCP are led by Mr. Demkowicz (the “Managing Partner”), and together with Mr. Campbell, Mr. McKinley and Mr. Reilly (collectively the “Investment Committee”) they review and approve all investments for HCP. These individuals bring a wealth of investment, operational and financial expertise and experience to HCP; and together with a number of other investment professionals, work to execute HCP’s investment strategy.

HCP serves as an investment manager and provides discretionary advisory services to several collective investment vehicles organized as private investment partnerships (the “Fund” or collectively the “Funds”). Typically, within each Fund structure is a designated general partner or manager (the “General Partner(s)”). Unless and only to the extent that the context otherwise requires, references to HCP includes the General Partner(s).

The Funds primarily seek to obtain control-oriented positions through private equity investments in lower middle-market companies located throughout the United States and Canada. Industry sectors include, but are not limited to light manufacturing, distribution and service businesses. As of December 31, 2011 HCP oversees over \$468 million on a discretionary basis.

In providing services to the Funds, HCP formulates each Fund’s investment objectives, directs and manages the investment and reinvestment of each Fund’s assets, and provides reports to investors. Investment advice is provided directly to the Funds and not individually to the limited partners of the Funds (the “Investors” or “Limited Partners”). HCP manages the assets of the

Funds in accordance with the terms of each Fund's confidential offering and/or private placement memoranda, individual limited partnership agreements and other governing documents applicable to each Fund (the "Governing Fund Documents"). All terms are generally established at the time of the formation of a Fund, and are only terminable once the applicable Fund is dissolved, wound up, and terminated. Except as otherwise described in the Governing Fund Documents, the Investors may not restrict investments by the Funds in any capacity, and except in limited circumstances, Limited Partners are not permitted to withdraw from a Fund prior to the Fund's dissolution.

Limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the Funds are not registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

## **Item 5: Fees and Compensation**

### General

HCP typically receives compensation from fees based on a percentage of assets under management, carried interest allocations and certain other fees or expenses related to transactions (see below). Investors should review all fees charged by HCP and others to fully understand the total amount of fees to be paid by a Fund and, indirectly, by their Limited Partners. Such amounts are deducted or allocated from an Investor's capital account(s) in the applicable Fund. Investors' ability to redeem from the Funds are subject to "lock-up" restrictions and formal notice requirement as outlined in the Governing Fund Documents. In the event of a "non-voluntary withdrawal," HCP will refund all pre-paid fees that have not been earned.<sup>1</sup>

### Management Fee

The Funds pay HCP an annual management fee (the "Management Fee"). The Management Fee is payable quarterly in advance and is calculated as a percentage (2.0% to 2.5% per annum) of committed capital during the commitment period and invested capital thereafter, in each case in accordance with the Governing Fund Documents. HCP and its affiliates reserve the right to waive or reduce management fees for certain investors, including employees, a limited number of strategic partners, advisors and consultants and others as may be determined in HCP's sole discretion.

### Carried Interest Allocations

A portion of each Fund's net investment profit may be allocated to the capital account of its General Partner as "carried interest." The manner of calculation of such carried interest is disclosed in the Governing Fund Documents, and may vary by fund. Generally, however, 20% of the investment profits of the Funds are allocated as carried interest to such Fund's General Partner with a preferred return to the limited partners of 8% per annum, subject to a giveback, as defined in the Governing Fund Documents. As is the case with Management Fees, HCP and its affiliates

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<sup>1</sup> Investors generally may not withdraw any amount from the Funds, except that a non-voluntary withdrawal may be permitted to avoid a prohibited transaction under the Employee Retirement Income Security Act of 1974.

reserve the right to waive or reduce carried interest for certain investors, including employees, a limited number of strategic partners, advisors and consultants and others as may be determined in HCP's sole discretion.

#### Other Fees Earned by HCP

HCP may also receive fee income paid by portfolio companies or other third parties, including advisory fees, directors' fees, transaction fees, break-up fees, or other similar fees received with respect to investments or proposed investments by HCP, the General Partner, or any affiliate of the foregoing (collectively, "Other Fees"). Such Other Fees will typically be paid to HCP or the General Partner and will reduce or offset Management Fees by 50% of the amount received. The recipients of this Brochure must refer to the detailed information found in the Governing Fund Documents for specific information about the fees earned by HCP, including Other Fees, and the fees charged to the Funds.

#### Other Expenses

In addition to the Management Fee, the Funds will pay all other costs and expenses of the Funds that are not reimbursed by third parties, including legal, auditing, consulting, financing and accounting fees and expenses, expenses associated with the Funds' financial statements, tax returns and K-1s; out-of-pocket expenses incurred in connection with transactions not consummated, expenses of the Advisory Council (as defined under *Other Financial Industry Activities and Affiliations*); costs and expenses associated with indemnification under the Partnership Agreement; insurance; marketing expenses; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Funds.

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

An adviser charging performance based fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee.

As described above, HCP or its affiliates receive performance-based compensation in the form of "carried interest", which calculation is based on the profits generated on the sale or disposition of Fund assets. However, HCP does not have an incentive to favor certain Funds, since as noted above, all Funds advised by HCP are subject to a carried interest.

The fact that a significant portion of the Advisor's compensation (and its affiliates and investment professionals compensation) is directly computed on the basis of profits generated by the sale or disposition of Fund assets may create an incentive for HCP to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation.

### **Item 7: Types of Clients**

HCP provides discretionary management and advisory services to the Funds directly, subject to the direction and control of the General Partner of each Fund, and not individually to the Limited

Partners. Investors in the Funds may include, but are not limited to, high net worth individuals, pension plans (corporate, state and foreign), insurance companies and pooled investment vehicles (e.g., funds-of-funds),

The minimum commitment for a Limited Partner is outlined in the Governing Fund Documents; however HCP maintains discretion to accept less than the minimum investment threshold. In addition, the Funds may enter into separate agreements, commonly referred to as “side letters”, with certain Investors, to waive certain terms, or allow such Investors to invest on different terms than those specifically described in the Governing Fund Documents. Under certain circumstances, these agreements could create preferences or priorities for such Investors with respect to other Limited Partners.

Investors will be required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act. Also, Investors will be required to make certain representations when investing in a Fund, including, but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and that (iii) they have the ability to bear the economic risk of an investment in the Fund. Details concerning applicable Investor suitability criteria are set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each Investor.

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

HCP seeks to acquire or recapitalize niche manufacturers, value-added distributors and specialty service companies. Through customized transactions, the Funds primarily invest in controlling positions which are achieved using leveraged acquisitions, build-ups, recapitalizations, restructurings and growth equity transactions. For each Fund, HCP expects to invest efficiently over three to five years in 10 to 15 platform companies as well as maintain a sufficient amount of capital for follow-on investments. HCP will focus on (i) control transactions with valuations generally under \$100 million; (ii) committing \$10 million to \$70 million per transaction; and (iii) use its operational capabilities to create value.

The cornerstone of the HCP strategy is to combine its operational approach, capital and transaction experience with proven management teams who have the expertise and commitment to successfully grow their businesses. HCP utilizes the in-house operational expertise of its investment professionals as well as senior industry operating executive consultants (each, an “Executive Partner”). These Executive Partners represent an experienced group of accomplished executives who i) provide HCP with proprietary deal flow; ii) assist HCP with its due diligence; and iii) work with the investment professionals to advise existing management teams on operational, financial and administrative strategies, often as Directors of HCP’s portfolio companies.

### Associated Risks

An investment in the Funds involves a high degree of risk. There can be no assurance that the Funds will meet its investment objectives or otherwise be able to successfully carry out its investment program. Therefore, an investment in the Funds should be undertaken only by

qualified investors whose financial resources are sufficient to enable them to bear the loss of all or part of their investment and who do not need liquidity with this investment. The following risk factors should be considered carefully, but are not meant to be an exhaustive listing of all potential risks associated with an investment in the Funds. Investors should consult with their own financial, legal and tax advisors prior to investing in the Funds.

*No Assurance of Investment Return.* While private equity investments in highly leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. There is no assurance that the Funds will be able to invest its capital with attractive terms or generate returns for its Investors. The past investment performance of HCP or its investment professionals are not necessarily indicative of the Funds' future results.

*Illiquidity of Limited Partner Interests.* The Limited Partner interests are highly illiquid, have no public market and are subject to substantial restrictions on transferability. Voluntary withdrawals of Limited Partner interests are not permitted, except in limited instances when necessary to comply with certain laws or regulations applicable to a Limited Partner, including applicable ERISA regulations. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment, and the Partnership's interests will be highly illiquid. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Prior to such time, there often will be no current return on the investments.

*Risks Associated with the Funds' Investment Strategy.* Investing in smaller companies generally involves greater risks than investments in similar larger companies, since smaller companies have more limited resources, products, services and customer bases. In addition, typically there is a more limited market for the sale of lower middle market companies, which can make it more difficult to realize gains upon a disposition of the investment.

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

*Leverage.* The Funds may invest in companies whose capital structures are highly leveraged. Such investments involve a high degree of risk in that adverse fluctuations in the cash flow of such companies, or increased interest rates, may impair their ability to meet their debt obligations. In addition, since the Funds will be making equity investments, the Fund's investment will be junior to all of the company's debt holders and any senior equity classes, and thus subject to greater risk of loss. Accordingly, if a portfolio company does not generate sufficient cash flow to service its debt, the Funds could lose some or all of its investment in the company.

***Illiquidity of Investments.*** Most investments of the Funds will not have any readily available public market. Disposition of such investments may require a lengthy time period or may result in distributions in kind to the Limited Partners.

***No Assurance of Projected Results.*** The General Partner will generally determine the appropriate capital structure for each portfolio company in which the Funds invest based upon financial projections for that company. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results based upon assumptions made at the time.

***Investments with Third Parties.*** The Funds may co-invest with third parties through joint ventures or other entities. Such investments may involve additional risks due to the involvement of a third party, including the possibility that a third party may have financial difficulties which have a negative impact on the investment or that a third-party may have economic or business interests which are inconsistent with the Funds. In addition, joint ventures and similar arrangements may allow a third party to take or block an action contrary to the interests of the Funds with respect to the investment.

## **Item 9: Disciplinary Information**

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

## **Item 10: Other Financial Industry Activities and Affiliations**

### Pooled Investment Vehicles

HCP organizes and sponsors the Funds, which are private investment companies. These pooled investment vehicles managed by HCP are controlled by affiliated General Partner entities ("GP Entities"). HCP or the GP Entities will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds' investment activities. While the GP Entities are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules thereunder. In addition, employees and persons acting on behalf of the GP Entities are subject to the supervision and control of HCP. Thus, the GP Entities, all of its employees and the persons acting on its behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the GP Entities. Investments in any such Funds of which HCP or any of its affiliates is a general partner or investment adviser are conducted on a private placement basis, and prospective investors are solicited only by means of the current prospectus or private placement memorandum of the relevant Fund. The applicable Governing Fund Documents also set out guidelines against HCP investing in the same portfolio transaction as any other affiliate or limited Fund.

### Other Investment Advisers

The founders of HCP are currently involved in operating and managing other investment management firms including: Superior Capital Partners, LLC (“Superior”) and Peninsula Capital Partners, LLC (“Peninsula”) (Superior and Peninsula are collectively referred to as “Related Advisers”). Superior, Peninsula, and HCP are under common control. The Funds managed by HCP will not compete for investment opportunities with funds managed by the Related Advisers. Also, since all of the founders serve on the Investment Committee for HCP, they may use information shared during Investment Committee meetings to manage Related Advisers’ funds. Below is a description of each Related Adviser.

Superior was established in 2006 by all of the founders of HCP and other individuals and is a private equity firm focused on distressed situations. All of founders of HCP serve on the investment committee for Superior. Superior manages a committed private equity fund focused on making control investments in special situations in the lower middle market. For more information on Superior visit [www.superiorfund.com](http://www.superiorfund.com).

Peninsula is a private equity firm focused on mezzanine investing and was established in 1995 by Messrs. Campbell, McKinley and Reilly. Members of the investment committee are the founders of Peninsula. Peninsula specializes in subordinated debt and structured equity investments in middle-market companies. For more information on Peninsula visit [www.peninsulafunds.com](http://www.peninsulafunds.com).

### Advisory Council

HCP will establish an advisory council (the "Advisory Council") consisting solely of five Limited Partner representatives selected by the General Partner. The Advisory Council will provide such advice and counsel as is requested by HCP in connection with Fund investments, potential conflicts of interest, and other Fund matters. The General Partner will retain ultimate responsibility for all decisions relating to the operation and management of the Funds, including, but not limited to, investment decisions, subject to the approval of the Advisory Council on investments involving a conflict of interest.

### Portfolio Boards

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

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

Pursuant to Rule 204A-1 of the Advisers Act, HCP has adopted a written Code of Ethics (the “Code”) predicated on the principal that the Advisor owes a fiduciary duty to the Funds and its



Investors. The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of HCP (the “Employees”), as well as each other individual designated in writing by a compliance officer as being subject to all or a portion of the compliance procedures or policies adopted by the Advisor (collectively the “Supervised Persons”). HCP requires its Supervised Persons to act in the Funds’ best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

The Advisor generally prohibits the purchase or sale of securities that are held by the Funds; requires pre-clearance before purchasing an IPO or limited offering (i.e., private placement); requires periodic reporting of Employees’ Supervised Persons’ personal securities transactions and all holdings; and requires prompt internal reporting of Code violations. HCP endeavors to maintain current and accurate records of all personal securities accounts of its Supervised Persons in an effort to monitor all such activity. A copy of HCP’s Code is available upon request.

HCP or a company related to HCP serves as the investment adviser and general partner, respectively, to the Funds. HCP, its employees, and/or the General Partner of the Funds will have an investment in the Funds. Therefore, HCP may be considered to participate indirectly in transactions effected for those clients. The foregoing relationships, fees, and any other actual or potential conflicts of interest arising therefrom are disclosed in the respective Funds’ offering documents.

## **Item 12: Brokerage Practices**

HCP focuses on making investments in private securities, thus it does not engage in traditional brokerage transactions, utilize any soft dollar relationships with any broker, nor permit investors to stipulate the direction of brokerage. Also, as a private equity fund manager HCP does not aggregate the purchase or sale of securities across the Funds. However, the Funds may co-invest together, with third parties through joint ventures, Investors or other entities (“Co-Investors”). Such investments may involve risks not present in investments where a Co-Investor is not involved, including the possibility that a Co-Investor may at any time have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take action contrary to the Fund’s investment objectives. In addition, there may be a limited amount of interests available for investing. Thus the Funds may receive a limited offering due to the Co-Investors investing with the Funds. Also Co-Investors may receive terms that are more advantageous than those received by the Funds.

## **Item 13: Review of Accounts**

All investments are carefully reviewed and approved by HCP’s Investment Committee. The portfolio companies are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

HCP provides each Limited Partner with the following reports in accordance with the terms of the applicable Governing Fund Documents: (i) audited annual financial statements; (ii) unaudited quarterly financial statements together with investment information on investments by the Funds;

and (iii) annual tax information necessary to complete any applicable tax returns. HCP also holds annual meetings with the Limited Partners.

### **Item 14: Client Referrals and Other Compensation**

HCP may enter into agreements with placement agents to assist in identifying Investors for the Funds. In the event a Fund pays a referral fee to a placement agent, HCP's advisory fee will be reduced by that amount. Investors working with a placement agent should be aware of the inherent conflicts of interest when working with placement agents. Placement agents may refer potential investors to funds that pay a higher referral fee.

### **Item 15: Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks; however HCP has access to client accounts since it or an affiliate serves as the General Partner of each Fund. The Limited Partners will not receive statements directly from the qualified custodian. Instead the Funds are audited on an annual basis in accordance with generally accepted accounting principles (GAAP) and the financial statements are distributed to each Limited Partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end. Limited Partners should carefully review these statements, and should compare these statements to any account information provided by the Advisor.

### **Item 16: Investment Discretion**

In accordance with the terms and conditions of the Governing Fund Documents, and subject to the direction and control of the General Partner of each Fund, the Advisor generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Limited Partners, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations of the Funds.

### **Item 17: Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, HCP has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that HCP receives will be treated in accordance with these policies and procedures. A copy of HCP's written proxy voting policies and procedures, as well as a record of how HCP has voted in the past, will be maintained and available for review upon written request.

HCP's Funds are primarily invested in privately-held portfolio company investments which typically do not issue proxies; therefore, the traditional concept of voting of proxies and participation in class actions is not currently applicable to HCP. The investment opportunities that HCP seeks allows the Funds to have influence on the management, operations and strategic direction of the portfolio companies in which it invests; through its majority interest and/or through its employees who sit as officers and directors on portfolio company boards. The exercise of control and/or significant influence over a portfolio company imposes additional risks of liability for product defects, environmental damage, 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

also expose the assets of the Funds to claims by such portfolio company, its security holders and its creditors. While HCP intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

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

All conflicts of interest will be resolved in the interests of HCP's Funds. In situations where HCP perceives a material conflict of interest, HCP may defer to the voting recommendation of their Advisory Council or take such other action in good faith which would protect the interests of HCP's Funds.

## **Item 18: Financial Information**

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