

**Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Sverica International Management LLC ("Sverica International" or "Sverica"). If you have any questions about the contents of this brochure, please contact us at (617) 695-0221. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Sverica International is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 27, 2013

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the brochure.

There have been no Material Changes since the previous brochure dated February 1, 2012.

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## **Item 4: Advisory Business**

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### **A: Firm Description**

Sverica International Management LLC, a Delaware limited liability company formed on June 20, 2001 ("Sverica International" or "Sverica"), is a private equity management company that provides investment advisory services to private equity funds ("clients"). Sverica International has offices located in Boston, Massachusetts and San Francisco, California.

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### **A: Principal Owners**

K. Gunnar Bjorklund, an individual resident of the State of California, and Alessandro L. Mina, an individual resident of the Commonwealth of Massachusetts, each owns 50% of Sverica International.

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### **B: Types of Advisory Services**

Sverica International provides investment advisory services only to private equity funds. Such services are discretionary except with respect to a single client which is a parallel fund. Sverica's investment focus has always been the micro-buyout market. Sverica seeks small, profitable companies for its clients that may be outside the scope of many private equity firms. Sverica's primary objective is to create long-term, sustainable value and strategies for its clients. Sverica intends to have a high degree of direct involvement with its clients' portfolio companies. Sverica's operating strategies endeavor to maximize long term cash flow growth and to make efficient use of capital, instead of using heavy financial leverage or market timing.

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### **C: Tailored Services**

Sverica currently only has clients that are private equity funds structured as limited partnerships and parallel funds structured as limited liability companies. Sverica does not tailor its advisory services to the individual needs of its clients' limited partners or members and clients may not impose restrictions on investing in certain securities or types of securities other than those contained in the respective limited partnership agreements or operating agreements.

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### **D: Wrap Fee Programs**

Sverica does not participate in any wrap fee programs.

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### **E: Client Assets Under Management**

As of December 31, 2012, regulatory assets under management by Sverica were approximately \$430,194,000 of which approximately \$430,011,000 is managed on a discretionary basis for five private equity fund clients and approximately \$183,000 is managed on a non-discretionary basis for one client.

## Item 5: Fees and Compensation

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### A. Description

The respective general partners of Sverica's clients structured as limited partnerships, all of which are affiliates of Sverica, are entitled to management fees based on a percentage of partners' capital commitments during the investment period defined in the limited partnership agreements, generally 5 years from the final closing date, and based on lower of cost or fair value of portfolio investments thereafter and also to performance-based fees from each respective client structured as a limited partnership. Sverica provides certain management and operational services for its clients pursuant to management services agreements with the general partners and under which management fees are directed to Sverica.

Management fees are computed semi-annually not to exceed 2.5% of committed capital on an annualized basis. The limited partnership agreements of the respective clients provide for a prospective reduction in the next semi-annual management fee computation based on amounts collected by Sverica in the current semi-annual period for transaction fees, broken deal fees, ongoing monitoring, consulting and advisory fees and other similar fees from portfolio companies. The limited partnership agreements provide for sharing a fixed percentage of collected fees or for sharing a fixed percentage of the excess of collected fees over a specified limit. Management fees in certain private equity fund clients are further reduced dollar for dollar by an amount that the respective clients' general partners otherwise would have been required to make in cash contributions. Clients structured as limited partnerships also pay respective affiliates of Sverica a performance allocation in the form of carried interest generally equal to twenty percent (20%) of net distributed cash or securities after all of the client's partners have received the sum of a return of their capital contributions made for i.) cumulative fund expenses and ii.) the cost of realized investments; plus iii.) a preferred annual return of 8%, compounded, as provided in the respective limited partnership agreements.

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### B. Fee Billing

Management fees are computed semi-annually and paid in advance with the next succeeding five (5) months' fees due on the first business day of each semi-annual period and the remaining 1 month's fee due on the first business day of the second month of each semi-annual period. Generally, capital is called from the partners in the respective clients structured as limited partnerships to enable payment of management fees but proceeds from distributions from portfolio companies may be used for this purpose in the discretion of the general partner. Once sufficient funds are available and upon attainment of the due date, Sverica deducts its fees from the respective clients' accounts.

Clients structured as limited partnerships also pay respective affiliates of Sverica a performance allocation in the form of carried interest generally equal to twenty percent (20%) of net distributed cash or securities after all of the client's partners have received the sum of a return of their capital contributions made for i.) cumulative fund expenses

and ii.) the cost of realized investments; plus iii.) a preferred annual return of 8%, compounded, as provided in the respective limited partnership agreements. Performance allocations are generally paid by deduction from the respective clients' accounts following receipt of the proceeds from a sale or realization of portfolio investments or may be paid in kind as part of a fund liquidation.

### C. Other Fees and Expenses

Each client structured as a limited partnership paid or reimbursed Sverica for all costs and expenses of the particular private equity fund client's organization and the offering of interests therein, in some circumstances, up to a maximum specified in the respective limited partnership agreements, none of which exceeded five hundred thousand dollars (\$500,000). Each client structured as a limited partnership bears all costs and expenses incurred in the holding, purchase, sale or exchange of securities (whether or not ultimately consummated), including, but not by way of limitation, real property or personal property taxes on investments, brokerage fees, legal fees, audit and accounting fees, fees and expenses incurred in connection with the maintenance of registered agents and offices in the State of Delaware and other applicable jurisdictions, consulting fees relating to investments or proposed investments, taxes applicable to the fund on account of its operations, reasonable fees incurred in connection with the maintenance of bank or custodian accounts, and all expenses incurred in connection with the registration of the fund's portfolio company securities under applicable securities laws or regulations.

Each client fund structured as a limited partnership also bears expenses incurred by the tax matters partner, expenses of the members of the limited partner committee, the fund's *pro rata* share of any cost of liability and other insurance premiums, out-of-pocket costs associated with fund meetings and meetings of the limited partner committee, all out-of-pocket expenses of preparing and distributing reports to partners in each fund, all reasonable legal and accounting fees relating to each fund and its activities, the management fee, all costs and expenses arising out of each fund's indemnification obligations and any other expenses relating to each client incurred by the general partner, the management company or the fund that are not normal operating expenses. Clients structured as limited liability companies pay expenses to the extent not paid by the general partner or other affiliated entity.

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#### D. Fees in Advance

Private equity fund clients structured as limited partnerships must pay management fees in advance. Management fees are computed semi-annually and billed in advance with the next succeeding 5 months' fees due on the first day of each semi-annual period and the remaining 1 month's fee is due on the first day of the second month of each semi-annual period. The management fee computed for the first and last semi-annual periods of each private equity fund structured as a limited partnership will be proportionately adjusted based upon the ratio the number of days in each such period bears to one hundred eighty (180).

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#### E. Securities Compensation

Not applicable.

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

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### **Sharing of Capital Gains**

Clients structured as limited partnerships pay affiliates of Sverica a performance allocation in each client in the form of carried interest generally equal to twenty percent (20%) of net distributed cash after all of the client's partners have received the sum of a return of their capital contributions made for i.) cumulative fund expenses and ii.) the cost of realized investments; plus iii.) a preferred annual return of 8%, compounded as provided in the respective limited partnership agreements. Performance allocations are generally paid following receipt of the proceeds from a sale or realization of portfolio investments or may be paid in kind as part of a fund liquidation.

Performance-based compensation may create an incentive for Sverica to make investments that may carry a higher degree of risk to its clients.



## Item 7: Types of Clients

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### Description

Sverica International provides investment advisory services to private equity funds principally on a discretionary basis but one client, currently in final liquidation, is non-discretionary.

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### Account Minimums

The private equity fund clients structured as limited partnerships that Sverica manages have minimum capital commitments ranging from \$0 to \$30,000,000 for their respective limited partners. Members of clients structured as limited liability companies have minimum capital commitments of \$0 in one case and \$100,000 in the other. Each limited partner or member in each existing private equity fund client must be an "accredited investor," as defined under the Securities Act of 1933, as amended

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

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### A. Methods of Analysis and Investment Strategies

*Deal Sourcing.* The Sverica model is oriented toward seeking more exclusive opportunities through proprietary introductions via its network, approaching owners directly and cultivation of small brokers, careful industry analysis and targeting. Sverica performs careful industry analysis to target appropriate industries and proprietary research to select acquisition candidates within those industries. The conventional private equity model relies heavily on brokers, bankers and business plans, auctions and public domain materials.

*Acquisitions.* Sverica principally seeks opportunities where, acting alone or with a partner, it can acquire a controlling interest. Sverica uses reasonable leverage and basic funding models to create the financial structure of its acquisitions. The entire process is controlled by Sverica Managing Directors. Currently, these are Gunnar Bjorklund, Alessandro Mina, David Finley, Frank Young IV, and Jordan Richards (each, a "Managing Director," and collectively, the "Managing Directors") who do all the negotiating and deal structuring. The more conventional approach often relies on external professionals, higher leverage and more complicated strategies and instruments.

*Portfolio Management.* Sverica generally has two representatives, usually Managing Directors, who sit on each client portfolio company board and engage in traditional board activities such as recruiting and strategy development. In addition, Sverica Managing Directors will generally get more directly involved in operations. This allows Sverica to be more in touch with the companies under management and to leverage its Managing Directors' experience to guide and support company managers.

*Operations.* This is the area where Sverica believes that its business model differs most significantly from that of more conventional private equity funds. Where most funds do not participate in operations in any substantial way, Sverica is involved on a substantial basis starting with the development of the portfolio company growth strategy. Sverica also participates in line management roles on an ad-hoc basis when its professionals can add value. Sverica Managing Directors predominantly have real operational experience upon which they will rely to assist their portfolio companies implement strategic goals.

*Value investing and divesting.* Sverica's focus is on operational improvements in stable, profitable companies that can lead to substantial earnings and growth in earnings before interest, taxes, depreciation and amortization ("EBITDA"). By acquiring companies at what Sverica believes are reasonable multiples of EBITDA, and working to grow the bottom line, Sverica projects returns on the ultimate sale that require no or modest multiple expansion. Sverica will seek an exit in a sale or merger at an appropriate, but not predetermined, time. However, if the option of multiple expansion presents itself, Sverica will be opportunistic in pursuing it. The characteristics and size of Sverica's target acquisitions make it unlikely that future liquidity will be dependent on initial public offerings ("IPOs"). This differs from conventional models that contemplate acquiring companies at high multiples and then look for significantly higher exit multiples from strategic buyers or from IPOs.

*The Profile of Target Industries and Companies.* Sverica follows its core philosophies when targeting companies for acquisition in accordance with the following guidelines:

1. Understand the business

Sverica seeks companies for its clients to acquire whose businesses its Managing Directors understand. As a result, its portfolio companies often have a lower technology element. Sverica is industry agnostic but prefers business service companies and light manufacturing. After acquisition, Sverica oversees development of an operating plan and monitors its execution.

2. Stay small

Sverica currently focuses on small profitable companies with stable or growing customer bases and revenues. This typically means that a prospective portfolio company has earnings before interest, taxes, depreciation and amortization of greater than \$3 million and an enterprise value of less than \$100 million. Sverica seeks to make equity investments in the range of \$10 million to \$40 million in buyouts (partnering with existing management, or in connection with retirements or succession planning or other indicators of change) and divestitures. In some circumstances Sverica will supplement its equity investment with debt.

3. Plan to own for a long time

Sverica buys for the long term but will sell opportunistically. The guiding principle is to invest in fundamentally sound companies that are able to generate good returns regardless of public markets and without trying to time exit conditions.

4. Look for growth patterns/strategies

While companies are sought that can be improved through internal growth, Sverica also pursues companies that it believes can be grown significantly through add-on acquisitions.

5. Geography

Sverica will generally acquire companies headquartered in the United States or Canada. Within those countries, no states or provinces are excluded from consideration.

6. Minimize exposure to uncontrollable factors

Sverica does not pursue opportunities where there is substantial regulatory uncertainty and prefers to avoid capital intensive industries.

7. Target control situations

Sverica prefers control by a majority interest in portfolio companies, both in terms of equity ownership and control of the board of directors. This control may be shared with a proven team and/or with co-investors whose interests are closely aligned with Sverica's (including some who are also limited partners in the private equity funds) in larger deals. Sverica believes that control facilitates the development and execution of an appropriate operating plan.

Investing in securities involves risk of loss that clients should be prepared to bear.

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B . Material Risks in Investment Strategy

An investment in any of Sverica's clients involves a significant degree of risk. There can be no assurance that the client's targeted rate of return will be achieved or that there will be any return of capital. The environment for private equity investments is increasingly competitive and an investor should only invest in a client if the investor can withstand a total loss of its investment.

*Reliance on Key Personnel.* The success of each private equity fund will depend on the ability of the Sverica Managing Directors to identify and consummate suitable investments, to assist in improving the operating performance of portfolio companies and to dispose of investments at a profit. The loss of the services of one or more of the Sverica Managing Directors could have a material adverse effect on one or more private equity fund clients.

*Unspecified Investments.* Each private equity fund client and its general partner (the "General Partner") are newly formed entities that do not have any prior operating history. There can be no assurance that the General Partner or Sverica acting on behalf of the General Partner will be able to identify a series of suitable investment opportunities for each respective client, or that such investment opportunities will lead to completed investments by a client or enable each respective client to meet its investment objectives. There can be no assurance that any portfolio investments completed by any client will provide returns commensurate with the risk of investment in each respective client. Each respective client may sustain losses with respect to some or all of its investments.

*Illiquidity.* Participation in each respective private equity fund client will generally be an illiquid investment. Interests in each private equity fund will be transferable only under very limited circumstances and with the consent of the General Partner, which may withhold its consent in its sole discretion. No market exists for interests in each respective private equity fund and none is expected to develop.

The investments made by each respective private equity fund client may be very illiquid, and consequently each respective private equity fund may not be able to sell such investments at prices that reflect the General Partner's assessment of their value or the amount paid for such investments. Furthermore, securities of portfolio companies acquired by each respective private equity fund client may be illiquid for significant periods of time or indefinitely due to the absence of established market for such securities as well as legal, contractual or other restrictions on their resale by each respective private equity fund. The nature of each respective private equity fund's investments may also require a long holding period prior to profitability. The respective limited partnership agreements authorize the General Partner to make distributions in kind of securities in lieu of or in addition to distributions of cash. In the event the General Partner makes distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfers.

*Lack of Diversity.* Each private equity fund client may make only a limited number of investments and, as a consequence, the aggregate returns realized by each respective private equity fund's limited partners or members may be substantially adversely affected by the unfavorable performance of even one of such investments. In addition, each respective private equity fund's assets may be concentrated in certain industry sectors. This lack of diversification in each respective private equity fund's portfolio may result in each respective private equity fund's performance being vulnerable to business or economic conditions and other factors affecting particular companies or particular industries, which may adversely affect the return to investors in the respective private equity fund.

*Long-Term Investment.* While it is the intention of the General Partner to achieve target returns over a limited time horizon, other factors such as overall economic conditions, the competitive environment, the limited availability of appropriate potential investments, and access to public markets or potential acquirers may cause each respective private equity fund to be unable to realize substantial capital gains during its term.

*Nature of Investments.* Although each respective private equity fund will not employ leverage, except short-term, the funds' investments are expected to include portfolio companies whose capital structures may include leverage. The leveraged capital structure of such portfolio companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the conditions of the portfolio company or its industry. The private equity fund clients will generally invest in senior equity securities of the respective portfolio companies and portions of the investment may be in the form of loans. However, as a result of leverage provided by senior lenders and other factors, the securities in which each respective private equity fund client will invest may be among the most junior in a portfolio company's capital structure, and thus subject to the greatest risk of loss.

*Risks of Certain Investments.* In connection with the disposition of an investment in a portfolio company, each private equity 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 any business. It may also 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 contingent liabilities, which might ultimately have to be borne by each respective private equity fund.

*Reliance on Management of Portfolio Companies.* Although the General Partner will monitor the performance of each investment, it will primarily be the responsibility of management to operate the portfolio companies on a day-to-day basis. There can be no assurance that the existing management teams, or any new ones, will be able to operate the portfolio companies in accordance with each private equity fund's desired objectives.

*Economic and Market Risk.* Companies in which each private equity fund invests may be sensitive to general downward swings in the overall economy or in a particular industry. In addition, factors specific to a portfolio company may have an adverse effect on each private equity fund's investment in such company. A major recession or adverse development in the securities markets might have an impact on some or all of each private equity fund's investments. The General Partner may rely upon its own or a portfolio company's projections concerning the portfolio company's future performance in making investment decisions. Such projections

are inherently subject to uncertainty and factors beyond the control of the portfolio company and the General Partner.

*No Right to Control Each Private Equity Fund's Operations.* Limited partners and members will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the private equity fund(s) in which they invest. Limited partners and members must rely entirely on the General Partner to conduct and manage the affairs of each private equity fund with the exception that members of one parallel fund currently in final liquidation had the right to elect whether or not to participate in investments.

*Indemnification.* Each private equity fund indemnifies, out of the assets of the fund, the General Partner, the Sverica Managing Directors and their respective employees, agents, advisors, affiliates and personnel against claims, liabilities, costs and expenses, including legal fees, judgments and amounts paid in settlement, incurred by them by reason of their activities on behalf of each private equity fund. No such person will be liable to the respective private equity fund or to any limited partner of such fund for any act or omission (including any error in judgment in making an investment decision) in the absence of such person's gross negligence or willful misconduct.

*Control Person Liability.* Each private equity fund client, individually or together with affiliated co-investors, is generally expected to have controlling interests in its portfolio companies. However, in the discretion of the General Partner, investments may be made that result in less than controlling interests. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws) or other types of liability in which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, each respective private equity fund might suffer a significant loss. In addition, each respective private equity fund's assets, including any investments made by each respective private equity fund and any capital held by each respective private equity fund, might be determined to be available to satisfy all liabilities and other obligations of each respective private equity fund. If each respective private equity fund becomes subject to liability, parties seeking to have the liability satisfied may have recourse to each respective private equity fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

*Director Involvement in Portfolio Companies.* The General Partner and one or more of the Sverica Managing Directors are expected to have membership on a portfolio company's board of directors. Membership on the board of directors of a company can result in being named as a defendant in litigation. Typically, portfolio companies will have insurance to protect directors and officers and Sverica maintains additional coverage but there is no assurance that such insurance will be adequate.

## **Item 9: Disciplinary Information**

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### **Legal and Disciplinary**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Sverica's advisory business or the integrity of its management.

- A. Not applicable.
- B. Not applicable.
- C. Not applicable.

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

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### **A. Broker-Dealer**

Not applicable.

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### **B. Financial Industry Activities**

Not applicable.

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### **C. Affiliations**

Sverica and its management persons have relationships and arrangements that are material to its advisory business or its clients with various related persons as described below. None of these relationships or arrangements creates a material conflict of interest with clients.

1. Not applicable
2. Sverica serves as the management company to the following pooled investment vehicles that are all Delaware limited partnerships: Sverica International Investment Fund I-A LP, Sverica International Investment Fund II LP, Sverica International Investment Fund III LP, and Sverica International Investment Fund III-A LP. Liquidation of Sverica International Investment Fund I-A LP commenced in December, 2011. In addition, Sverica serves as the management company to Sverica International GP Fund LLC (“GP”) and to Sverica International Advisors Fund LLC (“Advisors”) that are parallel funds to Sverica International Investment Fund I-A LP and from which Sverica receives no compensation. Liquidation of both GP and Advisors commenced in December, 2011 and is substantially complete. Sverica International (Boston) LLC, a single member LLC owned by Alessandro Mina, a Member, Manager and Managing Director of Sverica, provides employer services to Sverica for all Massachusetts based personnel.
3. Not applicable.
4. Not applicable.
5. Not applicable.
6. Not applicable.
7. Not applicable.
8. Not applicable.
9. Not applicable.
10. Not applicable.



11. The following related persons of Sverica and its management persons are sponsors or syndicators of limited partnerships: Sverica International Capital LLC, a Delaware limited liability company, serves as the general partner to Sverica International Investment Fund I-A LP and as the manager of Sverica International GP Fund LLC and as the manager of Sverica International Advisors Fund LLC; Sverica International Capital II LLC, a Delaware limited liability company, serves as the general partner to Sverica International Investment Fund II LP; Sverica International Capital III LLC, a Delaware limited liability company, serves as the general partner to Sverica International Investment Fund III LP and to its parallel fund Sverica International Investment Fund III-A LP.

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D. Compensation for Referrals.

Not applicable.

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

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### **A. Code of Ethics**

The Access Persons of Sverica International, including all personnel provided by Sverica International (Boston) LLC as well as the sole member of Sverica International (Boston) LLC, have committed to a Code of Ethics that is available for review by any client or prospective client upon request. The Code of Ethics has been adopted in accordance with Section 204A and Rule 204A-1 under the Investment Advisers Act of 1940, as amended. Each Access Person must read, sign and deliver a certificate of compliance with the Code of Ethics. Access Persons also must provide initial securities holdings reports, annual securities holding reports and quarterly securities transaction reports in accordance with Rule 204A-1 to the Chief Compliance Officer or provide or have copies of all brokerage account statements related to personal securities transactions in which the Access Person or any member of his or her immediately family has a beneficial ownership interest sent directly to the Chief Compliance Officer.

Certain transactions involving Sverica may require, for business or legal reasons, that Access Persons not trade in certain securities for specified time periods. A security will be designated as "restricted" if: (i) a publicly traded company is involved in a proposed portfolio transaction, purchase or sale (a "Deal") for a client fund; or (ii) if a publicly traded company is entering a significant transaction (\$5,000,000 or more) of any type with an existing portfolio company of a client fund. Sverica maintains an internal electronic shared listing of Deals and deal teams are responsible for reporting Deals involving publicly traded companies to the Chief Compliance Officer. In addition, Managing Directors are responsible for reporting proposed transactions involving \$5,000,000 or more between their respective portfolio companies and publicly traded companies to the Chief Compliance Officer. The Chief Compliance Officer maintains an internal electronic shared restricted list of public companies identified through these means. It is the Access Person's responsibility to determine whether a security is on Sverica's restricted list prior to the execution of any personal securities transactions.

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### **B. Participation or Interest in Client Transactions**

Sverica and its related persons have not recommended to its clients or bought or sold for clients' accounts, securities in which Sverica or its related persons share a material financial interest. Should circumstances arise where Sverica believes it would be a suitable opportunity for the client(s) if Sverica were to make such a recommendation the potential conflict would be addressed by a review and pre-approval of the proposed transaction with the limited partner committee(s) of the client(s). In addition, there can be circumstances where one client holds an interest in a particular security and an opportunity arises that Sverica believes is suitable for another client to acquire or expand an interest in the same security. Sverica and its related persons would have an interest in the security by virtue of the first

client as set forth in the response to Item 11.C. below. To address the potential conflict Sverica reviews the proposed transaction with the respective limited partner committees representing each of the clients.

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C. Participation or Interest in Client Transactions

Sverica and its related persons invest in the same securities as private equity fund clients advised by Sverica. These investments take the form of investments by Sverica Managing Directors and a Sverica officer in the general partner and/or as limited partners or as members of the private equity funds that Sverica manages. These investments do not create a conflict of interest. Such investments actually create an alignment of interests since the general partner and its Managing Directors are invested in the same securities at the same time as Sverica's private equity fund clients.

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D. Participation or Interest in Client Transactions

See response above to Item 11.C.

## Item 12: Brokerage Practices

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### A. Selecting Brokerage Firms

Sverica may utilize various investment banking firms that are broker-dealers to assist it in identifying and evaluating portfolio company investments for its private equity funds. Sverica considers such factors as price, the ability of the broker-dealers to effect the transactions, their personnel, experience, particular industry knowledge, reliability and financial responsibility. Accordingly, if Sverica determines in good faith that the fees charged by a broker-dealer are reasonable in relation to the value of the service provided by such broker-dealer, the clients may pay fees to such broker-dealer that are greater than those fees another might charge.

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Research and Other Soft Dollar Benefits. Not applicable.

- a. Not applicable.
- b. Not applicable.
- c. Not applicable.
- d. Not applicable.
- e. Not applicable.
- f. Not applicable.

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2. Brokerage for Client Referrals. Not applicable.

- a. Not applicable.
- b. Not applicable.

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3. Directed Brokerage. Not applicable.

- a. Not applicable.
- b. Not applicable.

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### B. Aggregation

Sverica does not aggregate the purchase or sale of securities for various accounts through-broker dealers. In some circumstances Sverica may determine that it is appropriate for more than one private equity fund client to invest in the same portfolio company. Such transactions close simultaneously and related costs are prorated among the participating clients.

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

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### **A. Periodic Reviews**

Account reviews are performed annually by the Managing Directors in conjunction with the annual meeting of partners of the clients organized as limited partnerships and in conjunction with quarterly reporting. Christopher Wolf, Chief Compliance Officer, conducts reviews of compliance with the governing client agreements when appropriate.

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### **B. Review Triggers**

Other conditions that may trigger a review are changes in applicable laws, new investment information, and changes in a particular client's circumstances.

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### **C. Regular Reports**

The general partner of each private equity fund limited partnership managed by Sverica shall use its reasonable best efforts to transmit to each limited partner of each respective partnership within ninety (90) days, but in no event later than one hundred twenty (120) days, after the close of the partnership's fiscal year, audited financial statements in accordance with generally accepted accounting principles including (i) an income statement for the year then ended; (ii) a balance sheet as of the end of such year; (iii) a statement of changes in partners capital accounts; and (iv) a list of investments then held. Each parallel fund organized as a limited liability company shall transmit to each of its members within ninety (90) days after the close of the parallel fund's year end a list of investments then held together with the most recent list of members and their respective ownership.

The general partner of each private equity fund limited partnership managed by Sverica shall use its reasonable best efforts to transmit to each limited partner of each respective partnership within such ninety (90) day period to each limited partner then a limited partner of such fund and to each person (or such limited partner's or person's legal representative) who was a limited partner during any part of the fiscal year in question a Schedule K-1 showing such limited partner's taxable income from the fund for such fiscal year. Each fund shall also transmit a Schedule K-1 to each former limited partner within such ninety (90) day period.

Each parallel fund organized as a limited liability company shall deliver a Schedule K-1 to each of its members within ninety (90) days after the close of the parallel fund's fiscal year.

The general partner of each private equity fund limited partnership shall use its reasonable best efforts to transmit to the limited partners of such fund within sixty (60) days after the close of each of the first three (3) calendar quarters of each year, a summary of acquisitions and dispositions of investments made by the fund during that quarter, and a list of investments then held, together with a valuation of such investments. Typically, the quarterly reports are accompanied by a letter discussing recent financial performance and other developments at each of the portfolio companies held by the respective private equity fund limited partnerships.

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

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##### **A. Referrals**

Not applicable.

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##### **B. Other Compensation**

Not applicable.

### **Item 15: Custody**

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Account Statements

Not applicable.

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Performance Reports

Not applicable.



## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

Sverica accepts discretionary authority to manage securities on behalf of its clients. Except with respect to one client organized as a limited liability company currently in liquidation, Sverica has the authority to determine, without obtaining specific client consent, the investments to be bought or sold, and the amount of the investments to be bought or sold on behalf of clients. Clients do not customarily place any limitations on this discretionary authority.

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### **Limited Power of Attorney**

Before Sverica assumes discretionary authority, limited partners or members investing in a private equity fund client sign a limited power of attorney by execution of the limited partnership agreement or operating agreement for that particular private equity fund client.

## Item 17: Voting Client Securities

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### A. Proxy Votes

Sverica's private equity fund clients make no public company investments. However, it is possible that client(s) might receive securities of a public company in connection with a sale of a portfolio company. In such circumstances Sverica expects to sell such securities as soon as possible following receipt. Therefore, Sverica anticipates that proxy voting will be extremely infrequent and involve an insignificant number of shares. In the event that Sverica has a private equity fund client with one or more significant share positions in one or more public companies, it will adopt appropriate policies and procedures for proxy voting pursuant to Rule 206(4)-6.

B. Not applicable.

## **Item 18: Financial Information**

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### **A. Balance Sheet**

Sverica has not provided a balance sheet because Sverica does not require prepayment of any fees by any client, six (6) months or more in advance.

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### **B. Financial Condition**

Sverica does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

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### **C. Bankruptcy Petition**

Sverica has not been the subject of a bankruptcy petition at any time during the past ten years.