

## **3i Corporation**

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Part 2A of Form ADV: Firm Brochure  
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**This brochure provides information about the qualifications and business practices of 3i Corporation. If you have any questions about the contents of this brochure, please contact us at (212) 848-1400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about 3i Corporation also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

Item 2 is not applicable to 3i Corporation.

### **Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

For purposes of this brochure, the “Adviser” means 3i Corporation, a corporation organized under the laws of the Commonwealth of Massachusetts. The Adviser is an indirect, wholly-owned subsidiary of 3i Group plc (“3i Group”), a publicly-traded private equity firm headquartered in London.

The Adviser provides investment supervisory services to investment funds (each a “Fund” or “Client”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and the securities of which are not registered under the Securities Act of 1933, as amended (the “Securities Act”). The Funds were organized to hold investments made or managed by the Adviser on behalf of (1) investment funds offered to unaffiliated investors and managed by the Adviser or an affiliate of the Adviser and/or (2) investment funds offered to certain employees of the Adviser or its affiliates. Affiliates of the Adviser may invest in a Fund or may invest in parallel with a Fund.

The Funds typically invest in the securities of private, “middle market” companies. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of Clients, managing and monitoring the performance of such investments and disposing of such investments. The Adviser provides investment supervisory services to each Client in accordance with the applicable organizational document of such Client or a separate investment advisory agreement (each an “Advisory Agreement”).

Investment advice is provided directly to Clients, subject to the supervision of the applicable general partner, and not individually to the investors in the Clients. Services are provided to Clients in accordance with their Advisory Agreements and/or organizational documents. Investment restrictions for a Fund, if any, are generally established in its organizational or offering documents.

The Adviser has been in business since February 2, 1982. As of March 31, 2013, the Adviser managed a total of approximately \$1,286,498,152 of Client assets, all of which is managed on a discretionary basis.

#### **Item 5. Fees and Compensation**

As compensation for investment supervisory services rendered to the Clients, the Adviser receives from each such Client an advisory fee (each, an “Advisory Fee”). Advisory Fees paid by a Client are indirectly borne by investors in such Client.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Client are established initially by the Adviser and may be modified by negotiations. The Advisory Fees are set forth in each Client’s Advisory Agreement, organizational documents and/or other documentation received by each investor prior to investment in such Client. The Advisory Fees and other fees described below are generally subject to waiver or reduction by the Adviser in its sole discretion. The Clients’ fee structures may be modified from time to time. Fees may differ from one Client to another, as well as among investors in the same Client. The Adviser may

provide investment management services to its employees and affiliates (and their employees) without compensation.

The Advisory Fees for the Clients generally are payable quarterly in advance. If an Advisory Agreement is terminated before the end of a billing period, the Adviser will refund a pro rata portion of the pre-paid Advisory Fee to the relevant Client.

In addition, the Adviser and its affiliates may perform management, advisory, transaction-related, financial advisory and other services ("Related Services") for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of Clients, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions. These fees may be substantial. Although these fees are in addition to the Advisory Fees paid by a Client, the Adviser (or one of its affiliates) may in some circumstances reduce the amount of its fees paid in connection with the receipt of such fees. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below.

The Adviser also is entitled to accept and retain the following fees for its own account with respect to the Clients, which generally are credited against and reduce the Advisory Fees payable to the Adviser from the Clients:

- All arrangement fees, syndication fees and any other transaction fees received by the Adviser, agreed upon at the time of and directly referable to the making of an investment on behalf of a Client;
- Any underwriting fees in respect of the commitment of a Client;
- All agency fees, directors' fees and benefits, monitoring fees and management fees received directly in connection with the holding of an investment by a Client;
- Any fees or commissions of any description whatsoever received in connection with proposed transactions by a Client which do not proceed to completion; and
- All other fees received by the Adviser arising out of the management of the Clients, including, without limitation (i) corporate finance fees and (ii) advisory fees.

To the extent provided in the Advisory Agreements and the organizational documents of the Clients, the Adviser will pay out of Advisory Fees certain operating expenses and overheads of the Adviser, including remuneration and expenses paid to its employees, rent, utilities and other routine administrative expenses relating to the services and facilities provided by the Adviser to the Clients. Each of the Clients will bear all other expenses relating to it to the extent not borne by its portfolio companies or other parties, including legal, accounting, audit, investment banking, consulting, research, brokerage, finders', custody, transfer, registration, advisory board, directors' and officers' insurance, interest, taxes and extraordinary expenses, such Client's allocable share of expenses and fees generated in the course of evaluating and making investments which are not consummated and other similar fees and expenses, as well as any

other fees or expenses incurred by the Adviser or such Client in connection with such Client's operations that are not specifically set forth above as being paid by the Adviser.

Although the Adviser does not generally utilize the services of broker-dealers to effect portfolio transactions for Clients, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular Client, such Client will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

The Adviser does not directly receive performance-based fees, although a portion of the profits of each Fund may be paid to an affiliate of the Adviser as "carried interest" (the "Carried Interest"). Returns on investments made by employees of the Adviser and its affiliates in funds that invest in parallel with clients may also include a carried interest component.

## **Item 7. Types of Clients**

The Adviser currently provides investment supervisory services to the Clients. The Clients are pooled investment vehicles that generally are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investment advice is provided directly to the Clients (subject to the supervision of the general partner of each Client) and not individually to investors in such Client. The Adviser does not have a minimum size for a Client.

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

### **Methods of Analysis and Investment Strategies**

The Adviser's investment strategy with respect to Clients is to (i) access investment opportunities in private, mid-market companies, (ii) select the most attractive opportunities, where the value growth will likely be driven by earnings rather than leverage, by benchmarking opportunities across geographies and sectors, and (iii) actively partner with management teams and entrepreneurs post investment. Often, these strategies involve internationalization, build ups and roll outs and further professionalizing organizations. In determining which companies to invest in, the Adviser typically evaluates the profits of target businesses across North America, whether a company's profit is driven by underlying growth or use of leverage, market coverage, and whether the Adviser can have an impact on the business and be active in a company at the Board level and with key shareholders and management.

### **Risks**

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of the amount it has invested, and investors in the Clients must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Clients, include the following:

The Clients may invest in companies (“Portfolio Companies”) with leveraged capital structures. Such leveraged capital structures can increase a Portfolio Company’s exposure to adverse economic factors, such as rising interest rates, downturns in the economy or deterioration in the condition of the Portfolio Company or its industry.

Since a Fund may be a minority investor in its Portfolio Companies, it may not be in a position to protect its interests effectively, particularly if the management teams of such Portfolio Companies pursue objectives which are inconsistent with those of the Fund. As a result, the Clients’ ability to make and/or control exits from Portfolio Companies may be restricted and may, in certain circumstances, be forced.

In taking minority positions in Portfolio Companies, the Clients will co-invest alongside third parties, including employees and affiliates of the Adviser and their employees, and such third parties may have economic or business interests or goals which are inconsistent with those of Clients, or may be in a position to take action contrary to the investment objectives of the Clients.

Clients will typically invest their assets in a limited number of investments and thus investors will bear the risk of a concentrated portfolio.

Investments of the Funds may be in various currencies and therefore their value may vary with the relevant exchange rates.

#### **Item 9. Disciplinary Information**

Item 9 is not applicable to the Adviser.

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

Various affiliated entities (each a “General Partner” and collectively the “General Partners”) serve as general partners of the Clients. For a description of material conflicts of interest created by the relationship among the Adviser and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

##### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to all of its members, officers and employees, and certain independent contractors (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct

and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser's Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: Ken Hanau, Director & Treasurer, 3i Corporation, 400 Madison Ave, Suite 9C, New York, NY 10017.

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

Certain employees and affiliates of the Adviser and their employees may invest in or alongside Clients. A Client or its General Partner, as applicable, may reduce all or a portion of the Advisory Fee related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

### **Conflicts of Interest**

The Adviser's affiliates have their own large portfolio of investments in quoted and unquoted companies and the Adviser and its affiliates engage in a broad range of investment, investment management and other activities for themselves, other funds and other third party investors. In particular, in relation to the Funds, the Adviser has two distinct roles, namely as manager of the investments of the Adviser and its affiliates in the Funds' portfolios of investments (which may be made in parallel to the Funds instead of by investing in the Funds) and serving as Adviser to the Funds, although investing side-by-side has the advantage of generally aligning the Adviser's interests with those of the Funds.

### ***Resolution of Conflicts***

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made in the Adviser's sole discretion unless otherwise required by the terms of its agreements with Clients or their offering and/or organizational documents. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer term courses of dealing. Because in some cases the Client of the Adviser may be a special purpose vehicle owned by a fund advised by an affiliate of the Adviser, the



various conflicts which may arise in connection with the investment of fund assets may be conflicts for affiliates of the Adviser as well and may be resolved by such affiliates and not the Adviser. References to the Adviser therefore include its affiliates as well.

Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Client; and
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering and/or organizational documents for the Clients.

### *Conflicts*

The material conflicts of interest encountered by a Client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Client. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

### *Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities among one or more Clients and other persons, which may include, but are not limited to, the following:

- The clients and funds advised by the Adviser's affiliates, which may include funds organized as parallel investment entities (including investment vehicles established for the Adviser and/or its related persons and their employees), that have been formed to invest side-by-side with one or more of the Funds; and
- Third parties that wish to make direct investments (*i.e.*, not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Funds.

In recognition of its fiduciary duties, it is the policy of the Adviser to treat the Clients fairly and equitably in the allocation of investment opportunities and transactions more generally to the extent the investment allocation requirements of a Fund permit the Adviser to use its discretion to allocate a specific investment opportunity. The Adviser has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith.

The Clients are generally subject to investment allocation requirements (collectively, "Investment Allocation Requirements"). Investment Allocation Requirements may be set forth in the instrument under which a Client was established, or in side letters. To the extent the

Investment Allocation Requirements of a Client do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among Clients, the Adviser will follow the process set forth below.

The Adviser must first determine which Clients will participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular Fund, based on the Clients' investment objectives, strategies and structure. A Client's investment objectives, strategies and structure typically are reflected in the Fund's offering memoranda and organizational documents or in other applicable agreements. Prior to making any allocation to a Client of an investment opportunity, the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the Client. Possible restrictions include, but are not limited to:

- **Obligation to Offer:** The Adviser or an affiliate may be required to offer an investment opportunity to one or more Clients (in accordance with that Client's documents).
- **Related or Further Investments:** The Adviser or an affiliate may offer an investment opportunity related to an investment previously made by a Client to such Client to the exclusion of, or limiting the offer to, other Clients.
- **Legal and Regulatory Exclusions:** The Adviser or an affiliate may determine that certain Clients or investors in such Clients should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

The Adviser may allocate or agree to the allocation of investments and investment opportunities (notwithstanding that a particular investment opportunity falls within the investment policy of a Client and regardless of whether the Client already has an investment in the relevant entity or otherwise) as among the Clients and related persons of the Adviser, any other private investment vehicles managed by the Adviser or its related persons and any other existing or future clients of the Adviser or its related persons in such manner as the Adviser may determine in its discretion. In allocating such investment opportunities, the Adviser may consider some or all of a wide range of factors, which may include, but are not necessarily limited to, the following:

- Each Client's investment objectives and investment focus;
- Transaction sourcing;
- Each Client's liquidity and reserves;
- Each Client's diversification;
- Lender covenants and other limitations;
- Amount of capital available for investment by each Client as well as such Client's projected future capacity for investment;
- Each Client's targeted rate of return;
- Stage of development of the prospective Portfolio Company or other investment;

- Composition of each Client's portfolio;
- The suitability as a follow-on investment for a current Portfolio Company of a Client;
- The availability of other suitable investments for each Client;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Legal, contractual or regulatory constraints;
- The suitability of the investment for investment by an affiliate of the Adviser; and
- Any other relevant limitations imposed by or conditions set forth in the applicable offering and organizational documents of each Client.

The Adviser will seek to make all allocations of investment opportunities in a fair and equitable manner. Further, the Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Client, (ii) the profitability of any Client or (iii) any person's interest in offering or participating in co-investment opportunities outside of any Client.

Subject to any Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the Adviser or its related persons, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, in the sole discretion of the Adviser or its related persons, and (iv) certain persons other than investors in the Funds (*e.g.*, third parties) may be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons.

In exercising its discretion to allocate co-investment opportunities among Clients and other persons (including co-investment vehicles and third parties), the Adviser and its related persons may consider some or all of a wide range of factors, which may include, but are not limited to, the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Clients without harming or otherwise prejudicing such Clients, in particular when the investment opportunity is time-sensitive in nature, as is typically the case;

- Any confidentiality concerns the Adviser may have that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- The Adviser's perception of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser;
- The Adviser's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an effect on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Client wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Client being able to capitalize on a potential investment opportunity); and
- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Clients.

The Adviser's exercise of its discretion in allocating investment opportunities may not, and often will not, result in proportional allocations among all parties, and such allocations may be more or less advantageous to some parties relative to others. There can be no assurance that a Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's organizational documents, the Adviser may consider the factors listed above in exercising such discretion.

The allocation among Clients and other parties, including affiliates of the Adviser, of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their discretion, consistent with the organizational documents of the Funds, as applicable.

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Clients with differing fee, expense and compensation structures, the Adviser may have an incentive to allocate investment opportunities to Clients from which the Adviser or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit. However, the Adviser currently has a policy that states that it will not allocate investment opportunities based, in whole or in part, on the fees paid by any Client, the profitability of any Client relative to others or any person's interest in a particular offering or participation in co-investment opportunities outside of any Client.

In addition, principal executive officers and other personnel of the Adviser and its related persons invest indirectly in the Clients or along side them and may therefore participate in investments held by the relevant Clients. Such interests will vary Client by Client. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Client.

#### *Conflicts Related to Purchases and Sales*

Conflicts may arise when a Client makes investments in conjunction with an investment being made by other Clients, the Adviser or its affiliates or a client of an Adviser affiliate, or in a transaction in which another Client, the Adviser or its affiliates or client of an Adviser affiliate has already made an investment. Investment opportunities may be appropriate for Clients, the Adviser or its affiliates and/or clients of an Adviser affiliate at the same, different or overlapping levels of a Portfolio Company's capital structure. Conflicts may arise in determining the terms of investments, particularly when these clients may invest in different types of securities in a single Portfolio Company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in Clients, the Adviser or its affiliates or clients of an Adviser affiliate that have invested in different securities within the same Portfolio Company. Certain clients of the Adviser and its affiliates may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. In the event that such investments are made by a Client, the Adviser or its affiliates or clients of an Adviser affiliate, the interests of such Client may be in conflict with the interest of such other Client or client of an Adviser affiliate, particularly in circumstances in which the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, the Clients or clients of an Adviser affiliate may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Clients may or may not provide such additional capital, and if provided each Client will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Client or a Portfolio Company of another Client.

Investments by the Adviser or an affiliate of the Adviser or its affiliates in a Portfolio Company may also raise the risk of using assets of a client of the Adviser or its affiliates to support positions taken by the Adviser or its affiliates or by other clients of the Adviser or its affiliates. Employees and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside certain Clients or clients of the Adviser's affiliates, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Client participating in a transaction would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Client may invest in opportunities that the Adviser, its affiliates or other Clients or clients of the Adviser's affiliate have declined, and likewise, a Client may decline to invest in opportunities in which other Clients, the Adviser or its affiliates or clients of the Adviser's affiliates have invested.

### *Cross-Transactions*

In certain cases, the Adviser may cause a Client to purchase investments from another Client, or it may cause a Client to sell investments to another Client. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in the Client that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates may receive management or other fees in connection with their management of the relevant Clients involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Clients. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Clients. To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser will (i) determine whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party and (ii) obtain any required approvals of the transaction's terms and conditions. The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and the Adviser will not effect any such transaction for any Client if the Adviser may be deemed to own more than 25% of the Client, unless such transaction complies with the requirements of the Adviser's principal transactions policy, as described below.

### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must

make certain disclosures to the client of the terms of the proposed transaction and obtain the Client's consent to the transaction. In connection with the Adviser's management of the Clients, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Clients regarding any proposed principal transactions and that any required prior consent to the transaction be received.

### *Management of Clients*

The Adviser manages a number of Clients that may have investment objectives similar to each other. The Adviser may in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Clients and any such investment fund could give rise to conflicts of interest, as could allocation of investment opportunities among client funds, and the Adviser and its affiliates. See "*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*" above. In addition, it is expected that employees of the Adviser responsible for managing a particular Client will have responsibilities with respect to other Clients managed by the Adviser, including Clients that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

### *Follow-on Investments*

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Client in a Portfolio Company in which another Client or the Adviser or its affiliates has previously invested. In addition, a Client may participate in releveraging and recapitalization transactions involving Portfolio Companies in which another Client or the Adviser or its affiliates has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

### *Conflicts Relating to the Adviser*

The Adviser generally may, in its discretion, contract with any related person of the Adviser (including but not limited to a Portfolio Company of a Client) to perform services for the Adviser in connection with its provision of services to Clients. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a Client or to a Portfolio Company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for

services with (i) the Adviser or a related person of the Adviser (including but not limited to a Portfolio Company of a Client) or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derive financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Clients. In addition, the Adviser, its affiliates or officers, principals and employees of the Adviser and its affiliates may buy securities in transactions offered to but rejected by Clients. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Clients. If the Adviser, its affiliates or officers, principals and employees of the Adviser or its affiliates have made large capital investments in or alongside the Clients, they may have conflicting interests with respect to these investments.

Because certain expenses are paid for by a Client and/or its Portfolio Companies or, if incurred by the Adviser, are reimbursed by a Client and/or its Portfolio Companies, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Client or its Portfolio Companies to incur) such expenses.

#### *Fee Structure*

Because there typically is a fixed investment period after which capital from investors in the Funds may only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when the Adviser may not otherwise have done so.

#### *Related Services*

As described in Item 5 above, the Adviser and its affiliates may perform Related Services for, and will receive fees from, actual or prospective Portfolio Companies or other investment vehicles of the Clients. Such fees will be in addition to any Advisory Fees paid by the Clients to the Adviser or its affiliates. Additionally, a Portfolio Company may reimburse the Adviser for expenses incurred by the Adviser in connection with its performance of services for such Portfolio Company. This creates a conflict of interest between the Adviser and its affiliates and the Clients and their investors because the amounts of these fees and reimbursements may be substantial and the Clients and their investors may not have an interest in these fees and reimbursements. The Adviser determines the amount of these fees for Related Services and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to Portfolio Companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not be disclosed to investors in the Clients.



### *Business with Portfolio Companies and Investors*

Given the collaborative nature of the Adviser's business and the Portfolio Companies in which Clients typically invest, there are often situations when the Adviser or an affiliate is in the position of recommending Portfolio Company services to other Portfolio Companies. The Adviser or its affiliates may have a conflict of interest in making such recommendations, in that the products or services recommended may not necessarily be the best available to the Portfolio Companies held by the Clients.

The Adviser or an affiliate may have an incentive to recommend the products or services of certain client investors or their related businesses to Clients or their Portfolio Companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Clients or the Portfolio Companies.

The Adviser or an affiliate may have service providers, including, for example, investment bankers, outside legal counsel and pension consultants, who are investors in one or more funds and/or who provide services to businesses that are competitors of the Adviser. The Adviser or its affiliate may have a conflict of interest with the Clients in recommending the retention or continuation of a service provider to the Clients or a Portfolio Company if such recommendation, for example, is motivated by a belief that the service provider will benefit the Adviser or its affiliates. There is a possibility that the Adviser or its affiliates, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

### *Positions with Portfolio Companies*

Employees of the Adviser may serve as directors of Portfolio Companies. In addition, employees of the Adviser may leave the employment of the Adviser or its affiliates and become an officer or employee of a Portfolio Company.

### *Advisory Affiliates*

Certain of the Adviser's investment adviser affiliates have their own clients. Clients of the Adviser and these affiliates may invest in the same Portfolio Companies, including in the same security or in different securities of such a Portfolio Company. Interests of the Adviser's clients may therefore conflict with the interests of the clients of these affiliates. For instance, see "*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*" and "*Conflicts Related to Purchases and Sales*" above for more information.

### *Other Potential Conflicts*

The Adviser and the Clients will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Clients may be investors in a Fund, and may also represent one or more Portfolio Companies or investors in a Fund.

The Adviser may, in its discretion, have, and may, in its discretion, cause Clients and/or their Portfolio Companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser. The Clients and/or their Portfolio Companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Clients (or their Portfolio Companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

A Client may invest in a pooled investment vehicle that is advised by, or that has another business or other relationship with, the Adviser or its related persons. In such a case, investors in such Client will bear not only the direct management fees and other expenses associated with their investment in the Clients, but also the expenses and fees associated with the investment in the underlying pooled investment vehicle, some of which fees and expenses may be paid to the Adviser or its related persons. Additionally, the interests of the Client, as an investor, may conflict with the interests of the underlying pooled investment vehicle or the Adviser or its related persons in their capacity as service providers to the underlying pooled investment vehicle, which would create a conflict of interest for the Adviser.

If a Client purchases in the secondary market at a discount debt securities of a company in which a Client has, for example, a substantial equity interest, (a) a court might require a Client to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Clients might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

The organizational agreements of certain Funds permit those Funds to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information may be withheld from limited partners that are subject to the U.S. Freedom of Information Act or similar requirements. The General Partner may elect to withhold certain information (confidential or otherwise) to such limited partners for reasons relating to the General Partner's or the Adviser's (or their affiliates') public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information. Furthermore, due in part to the fact that potential investors in a Client may ask different questions and request different information, the Adviser may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

## **Item 12. Brokerage Practices**

The Clients invest primarily in private equity ventures; therefore, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences (*e.g.*, short-term instruments pending investment in a Portfolio Company, securities held as a result of initial public offerings of Portfolio Companies, going-private transactions). However, to meet its fiduciary duties to Clients, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling securities pursuant to its best execution obligations.

### **Selection of Brokers and Dealers**

For each Client, the Adviser or an affiliate has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Client involving a broker-dealer, the Adviser will seek “best execution” of the transaction. “Best execution” means obtaining for a Client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including, by way of illustration, the cost of the transaction, the need for timely execution, the liquidity of the market (which may make it difficult to execute an order), the likelihood of execution, the quality of execution, the size of the order and the nature of the financial transaction, including whether it is executed on a regulated market or over-the-counter.

The Adviser does not receive “soft dollars” in connection with its use of broker-dealers.

### **Aggregation of Trades**

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Client for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions can enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Clients with orders for other persons for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally aggregate trade orders for publicly traded securities so that each participating Client will receive the average price for each execution of a transaction.

If an order for more than one Client for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser’s procedures for allocation of investment opportunities, as described in Item 11 above.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The investment portfolios of the Clients are generally private, illiquid and long-term in nature, and the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the Portfolio Companies of the Clients and generally maintains an ongoing oversight position in such Portfolio Companies. The portfolios are reviewed by a team of investment professionals on an on-going basis. The Adviser uses a structured approach to its monitoring of Client performance. Each Portfolio Company typically has either a Partner or Principal of the Adviser (or its affiliates) sitting on its board of directors. The Adviser receives regular data from each Portfolio Company, normally on a monthly basis, typically covering key events, financial metrics, performance indicators and updates on outstanding action points from the 180 day plan/annual business plan agreed at the time of investment. This data is collated by the finance team within the Adviser or its affiliates and distributed to the investment professionals and senior management within the Adviser or its affiliates including the Principals, Partners and Managing Partner of the Adviser or its affiliates. Most Portfolio Companies are subject to an in-depth review twice a year, known as a PCR (portfolio company review). The investment professional responsible for the Portfolio Company prepares a paper reviewing a Portfolio Company's status, strategy, prospects, trading, management performance, corporate governance, environmental and social risks and key actions. This is discussed by senior investment professionals including Principals and Partners of the Adviser and its affiliates and, depending on the Portfolio Company, the Managing Partner, 3i North America.

### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 90 days after the fiscal year end of such Fund, semi-annual Fund portfolio reports which include details of investments acquired or disposed of, together with commentary on the performance of investments held by the Fund, and quarterly financial statements. The Adviser and the applicable General Partner, if any, may from time to time, in their sole discretion, provide additional information relating to a Fund to one or more investors in such Fund as they deem appropriate.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, the Adviser and its related persons may, in certain instances, receive discounts on products and services provided by Portfolio Companies of Funds.

## **Item 15. Custody**

Item 15 is not applicable to the Adviser.

## **Item 16. Investment Discretion**

Investment advice is provided directly to each Client and not individually to the investors in the Client. Services are provided to the Clients in accordance with the Advisory Agreements with the Clients and/or their organizational documents. Investment restrictions for a Client, if any, are generally established in the organizational or offering documents of the Client.

Any co-investment vehicle is generally established in order to invest alongside one or more Funds in a particular investment opportunity or opportunities, and the Adviser typically has limited discretion to invest the assets of the co-investment vehicle independent of the limitations as set forth in the organizational documents of the co-investment vehicle and the applicable Fund.

## **Item 17. Voting Client Securities**

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Clients (“Votes”). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Client all relevant facts and circumstances at the time of the vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser’s general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Partner responsible for the investment, the costs associated with voting such Vote outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Clients.

Clients generally cannot direct the Adviser’s Vote.

All Voting decisions initially are referred to the Partner or Principal responsible for the investment. In most cases, the Partner or Principal responsible for the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her. If the Partner or Principal is making the Voting decision, the Partner or Principal will inform the Managing Partner of 3i North America (the “Managing Partner”) of any such Voting decision, and if the Managing Partner does not object to such decision as a result of his or her conflict of interest review, the Vote will be voted in such manner.

The Adviser’s Managing Partner has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All Voting decisions will require a mandatory conflicts of interest review by the Partner or Principal responsible for the investment in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote and/or the Adviser’s affiliates and their clients has an interest in how the Vote is voted that may present a

conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interests of the relevant Clients. If the Partner or Principal and the Managing Partner are unable to arrive at an agreement as to how to vote, then the Managing Partner will apply the Adviser's conflict rules, and consult with the Director of Group Compliance, as appropriate, as to the vote, to ensure resolution of the conflict in the best interests of the Clients.

When the Director of Group Compliance becomes involved in the resolution of any conflict in accordance with 3i's conflict policy and deems it appropriate in his or her sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Director of Group Compliance shall have the power to retain independent fiduciaries, consultants or professionals to assist with Voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Client and copies of proxy voting policies are available to any Client or prospective client upon written request to: Ken Hanau, Director & Treasurer, 3i Corporation, 400 Madison Ave, Suite 9C, New York, NY 10017.

#### **Item 18. Financial Information**

Item 18 is not applicable to the Adviser.

#### **Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.