

# INVESTMENT ADVISER BROCHURE

## PART 2A OF FORM ADV

**CIVC PARTNERS, L.P.**

**191 North Wacker Drive  
Suite 1100  
Chicago, IL 60606**

**<http://www.civc.com/>**

**March 27, 2019**

This Investment Adviser Brochure (“**Brochure**”) provides information about the qualifications and business practices of CIVC Partners, L.P. (the “**Management Company**”). If you have any questions about the contents of this Brochure, please contact us at (312) 873-7300. 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 authority.

The Management Company is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding the Management Company is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

This Brochure is the Management Company's most recent Form ADV Part 2A as filed on March 27, 2019. This Brochure has been updated since the Management Company's last filing on March 28, 2018 to reflect the description of business practices and addition of new advisory clients and advisory affiliates. All other changes to this Brochure are not material and are solely for clarifying or updating changes.

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## ADVISORY BUSINESS

CIVC Partners, L.P. (the “**Management Company**”), the registered investment adviser, is a Delaware limited partnership. The Management Company and its affiliated investment advisers provide discretionary investment advisory services to their clients, which consist of private investment-related funds. The Management Company commenced operations in May 2002.

The following general partner entities are affiliated with the Management Company:

- CIVC GP III, L.P. (general partner of Fund III)
- CIVC GP IIIA, L.P. (general partner of Fund IIIA)
- CIVC GP IV, L.P. (general partner of Fund IV)
- CIVC GP V, L.P. (general partner of Fund V)
- CIVC GP V Global, L.P. (general partner of Fund V AIVs) (each, a “**General Partner**” and together with the Management Company and their affiliated entities “**CIVC**”)

The General Partners listed above each serve as general partner to one or more Funds (described below) or other pooled investment vehicles and have the authority to make investment decisions on behalf of such Funds or such pooled investment vehicles. Each General Partner is subject to the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. The Management Company and the General Partners operate as a single investment advisory firm and are all under common control.

The Management Company’s clients include the following (each, a “**Fund**,” and together with any future private investment fund to which the Management Company or its affiliates provide investment advisory services, “**Funds**”):

- CIVC Partners Fund III, L.P., “**Fund III**”
- CIVC Partners Fund IIIA, L.P., “**Fund IIIA**”
- CIVC Partners Fund IV, L.P.
- CIVC Partners Fund IV-A, L.P. (together with CIVC Partners Fund IV, L.P., “**Fund IV**”)
- CIVC Partners Executive Fund IV, L.P.
- CIVC Partners Fund V, L.P.
- CIVC Partners Fund V-A, L.P. (together with CIVC Partners Fund V, L.P., “**Fund V**”)

- CIVC Partners Executive Fund V, L.P.
- CIVC Partners Fund V Global, L.P.
- CIVC Partners Fund V-A Global, L.P. (together with CIVC Partners Fund V Global, L.P., “**Fund V AIVs**”)

Interests in the Funds generally are privately offered to qualified investors in the United States and elsewhere. The Funds are expected to invest through negotiated transactions in operating companies, generally referred to herein as “**portfolio companies**.” CIVC’s investment advisory services to Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted in certain instances. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of CIVC generally serve on such portfolio companies’ respective boards of directors or otherwise actively work with management of portfolio companies in which the Funds have invested.

CIVC’s advisory services to each Fund are detailed in the applicable offering memorandum (each, a “**Memorandum**”) and/or limited partnership agreement (each, a “**Limited Partnership Agreement**”) and together with the Memorandum, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Limited Partnership Agreement. The Funds or CIVC generally enter into side letters or similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of a Fund’s Governing Documents.

Additionally, from time to time and as permitted by the relevant Governing Documents, CIVC expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-investment vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, CIVC’s personnel and/or certain other persons associated with CIVC or portfolio companies owned by the Funds (including portfolio company management) and/or their affiliates (including in some situations a vehicle formed to co-invest alongside a particular Fund’s transactions, such as CIVC Executive Fund IV, L.P. and CIVC Executive Fund V, L.P. (the “**Co-Invest Funds**”)). Such Co-Invest Funds or other investors typically invest and dispose of their interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, Co-Invest Funds or other investors may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investment vehicle or other investor generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in CIVC’s sole discretion, CIVC is authorized to charge interest on the purchase to the Co-Invest Funds or other investors to seek reimbursement to the relevant Fund for related costs (or otherwise equitably to adjust the purchase price under certain

conditions). However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund or, to the extent such other investors are members of portfolio company management, the applicable portfolio company.

As of December 31, 2018, CIVC managed approximately \$692.6 million in client assets on a discretionary basis.

The Management Company is ultimately managed by CIVC Management GP LLC, a Delaware limited liability company, which is managed by a Board of Managers currently comprised of Daniel G. Helle, Christopher J. Perry and Christopher Geneser. There are no principal owners of the Management Company.

## **FEES AND COMPENSATION**

The following is a general description of fees, compensation, and expenses of the Funds. Differences exist from Fund to Fund, and certain Funds may not charge certain fees, compensation, or expenses that other Funds charge. The Governing Documents of the Funds describe fees, compensation and expenses in greater detail.

In general, each General Partner receives a management fee and a carried interest in connection with advisory services it provides to clients. The General Partners or other CIVC entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to CIVC in accordance with the relevant Governing Documents. In addition, in certain circumstances, the General Partner or other CIVC entities or affiliates receive compensation for management and other services performed in connection with coinvestments made in portfolio companies of the Funds. Investors in the Funds also bear certain fund expenses, as described below. It is expected that any future Funds will have a similar fee structure.

### **Management Fees**

During the investment period, the Funds generally will pay the General Partners an annual management fee (the “**Management Fee**”), payable quarterly in advance, or more frequently, equal to 2% of aggregate commitments. After the investment period, the Management Fee generally equals 1.5% to 2% of aggregate unreturned invested capital or net book value, as defined in the respective Limited Partnership Agreements.

The Management Fee with respect to a Fund will commence as of the effective date of such Fund based on aggregate commitments, regardless of when a limited partner is actually admitted. Generally, the Management Fee will be paid out of current income and disposition proceeds of the Fund and, in the General Partner’s discretion, from drawdowns that will reduce unfunded commitments.

The Management Fee for a Fund generally will be offset by the respective Fund’s share of directors’ fees paid by portfolio companies to partners or employees of CIVC and of the Fund’s share of fees paid to the Management Company by any portfolio company for management services or advisory consulting fees, transaction fees, monitoring fees, or other similar fees. For

Fund V, Fund V AIVs and Fund IV, this offset is 100% of such fees allocable to the partners of the Fund. For funds prior to Fund IV, this offset is 80%. To the extent that such an offset credit would reduce the Management Fee for a given quarter below zero, the credit will be carried forward for future application against payable Management Fees and if a credit remains upon liquidation a payment will be made crediting limited partners unless a limited partner has elected to waive such amount (e.g., where an adverse tax consequence may result). In certain circumstances, CIVC believes that it is possible that co-investors or other parties may seek to negotiate the right to share a portion of the fees described in this paragraph from a particular investment, and the above-described offset percentage would, in such cases, be applied after excluding any amounts paid to such persons.

Additionally, as further described below, CIVC may use certain third-party consultants who will provide services to certain portfolio companies in which such Funds invest and may receive compensation, including, but not limited to transaction fees, and such compensation will not result in additional offsets to the Management Fee. CIVC currently does not use operating partners, but may do so in the future.

As permitted under certain of the Funds' Governing Documents, the applicable General Partner may (except in the case of Fund V) agree to reduce the Management Fee. Any such reduced portion of the Management Fee reduces the amount of capital the General Partner would otherwise be required to contribute to the Fund. In such instances, the limited partners of such Funds may be required to make a pro rata contribution according to their respective Commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such reduction as described above.

Reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such reduced Management Fees has the potential to be significant. Due to reduced Management Fees by a General Partner and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in a Fund. Due to the level of such fees received and Management Fee reductions, CIVC currently expects all offsets to be utilized for funds prior to Fund V.

### **Carried Interest**

Each General Partner generally is entitled to receive a carried interest with respect to the Funds equal to 20% of all realized profits subject to a preferred hurdle and related General Partner catch-up provision as specified in the respective Fund Governing Documents. The carried interest distributed to a General Partner is subject to a potential giveback at the end of life of a Fund or at an interim period, as defined in the respective Governing Documents, if the respective General Partner has received excess cumulative distributions.

### **Other Information**

CIVC is permitted to exempt certain investors in Funds from payment of all or a portion of Management Fees and/or carried interest, including CIVC affiliated persons and any other person designated by CIVC, such as "friends and family of CIVC or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic

or relationship factors. Any such exemption from fees and/or carried interest could be made by a direct exemption, a rebate by CIVC and/or its affiliates, or through other Funds which co-invest with the relevant investor's Fund. For example, in instances where a CIVC professional or affiliate invests in a Fund, such professional or affiliate generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Governing Documents, CIVC has the right to permit investors, affiliated with CIVC or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Governing Documents, over the term of the Funds and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of CIVC generally receive a portion of the Management Fee, carried interest or other compensation received by a General Partner.

In addition to the Management Fee and carried interest payable to the General Partners, each Fund bears certain expenses. As set forth in the respective Governing Documents, each Fund will pay certain costs and expenses relating to the Fund's activities, investments and business that are not reimbursed by a portfolio company or applied to reduce transaction fees. Examples of such costs and expenses paid by Funds include: legal, auditing, consulting, financing, accounting and custodian and administration fees (including any costs of complying with Cayman Islands anti-money laundering laws) and expenses; expenses associated with a Fund's financial statements, tax returns and Schedule K-1s; out of pocket expenses incurred in connection with transactions not consummated ("**Broken Deal Expenses**"), including Broken Deal Expenses relating to transactions that have been offered to co-investors; expenses of the advisory committees and annual meetings of the limited partners; insurance; other expenses associated with structuring, organizing, acquiring, managing, operating, holding, valuing, winding up, liquidating, dissolving, and disposing of such Fund's investments, including the cost of travel, meals and extraordinary expenses (such as litigation, if any); any taxes, fees or other governmental charges levied against a Fund; and retainers or other compensation paid to third parties engaged to source transactions for the Funds. In addition, limited partners may directly pay such fees and expenses in certain circumstances as set forth in any applicable Fund's Governing Documents. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

As described above, in certain circumstances the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds subject to CIVC's related policies and the relevant Governing Documents and/or Side Letter(s). Where a co-investment vehicle is formed, such entity will generally bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all Broken Deal Expenses relating to such unconsummated transaction will be borne by the Fund(s), and not by any prospective co-investors, that were to have participated in



such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses and expenses related to consummated deals, subject to the terms agreed to with such co-investor.

CIVC has on occasion used third-party consultants to provide services to portfolio companies in which such Funds may invest. In connection with such services, such consultants may receive transaction fees, monitoring fees and other compensation from such portfolio companies. No such transaction fees, monitoring fees or other compensation received by consultants would offset Management Fees.

A General Partner and/or its affiliates generally have discretion over whether to charge transaction fees or monitoring fees to a portfolio company and, if so, the fee rate or amount. The receipt of such fees generally will give rise to potential conflicts of interest between a Fund, on the one hand, and its General Partner and/or its affiliates on the other hand.

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under “Fees and Compensation,” each General Partner receives a carried interest allocation on certain realized profits in the Funds. A carried interest allocation represents an investment adviser’s compensation based on a percentage of net profits of the funds it manages. CIVC also manages certain funds that are not charged a performance-based fee. While this practice could present a conflict of interest, CIVC does not believe this arrangement poses a conflict of interest in practice because such Funds invest on a *pari passu* basis alongside the Funds that do pay a performance based fee at substantially the same time and on substantially the same terms as such Funds and dispose of such investments in a similar manner.

Additionally, to the extent that CIVC personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

CIVC seeks to address the potential for conflicts of interest in these matters with allocation policies and practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund’s investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by CIVC or any personnel.

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although CIVC generally considers performance-based compensation to better align its interests with those of its investors.

### **TYPES OF CLIENTS**

CIVC provides investment advice to Funds. Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors

participating in Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of CIVC and its affiliates, and members of their families or other service providers retained by CIVC.

The Funds generally have a minimum investment amount of \$10 million for third-party investors. In most circumstances, investors in the Funds must meet certain suitability and net worth qualifications prior to making an investment in the Funds. Generally, investors must be (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended, and (ii) for certain Funds, either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act of 1940, as amended. CIVC may waive such minimum investment amounts and qualification requirements.

The Management Company also serves as investment manager to various co-investment vehicles, such as the Co-Invest Funds. Certain affiliates and personnel of CIVC and other third party investors may be permitted to participate in the Co-Invest Funds or in some cases co-invest directly in a particular portfolio company. The Co-Invest Funds generally do not pay a management fee or carried interest, but investors in the Co-Invest Funds do bear certain Co-Invest Fund partnership expenses (e.g., the pro rata legal and other expenses associated with a portfolio company investment, including broken-deal expenses, audit expenses etc.). CIVC will select which investors are permitted to invest in the Co-Invest Funds (or directly co-invest in a particular portfolio company) based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons as more fully described in the applicable Fund’s Limited Partnership Agreement. CIVC is not obligated to make co-investment opportunities available to any particular investors or limited partners. The Co-Invest Funds typically invest and dispose of their investments in the applicable portfolio company at the same time and on the same terms as the applicable Fund making the investment.

From time to time, for strategic and other reasons, Co-Invest Funds may purchase a portion of an investment from a Fund. Any such purchase from a Fund by a Co-Invest Fund generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment, and such Co-Invest Fund may be charged interest on the purchase to compensate the relevant Fund for the holding period.

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

CIVC typically makes buyout and growth equity investments in middle-market companies predominantly within CIVC's affinity areas, focusing on companies in the United States with enterprise values of between \$40 million and \$300 million. CIVC seeks investments in which CIVC represents or controls a majority of the board or has shared control but retains an influence over management and has appropriate controls over governance issues together with liquidity rights. CIVC seeks to produce attractive investment results by working with the management teams of its portfolio companies on operations and corporate strategy.

The following is a summary of the investment strategies and methods of analysis generally employed by CIVC on behalf of the Funds. More detailed descriptions of the Funds' investment strategies and methods of analysis are included in the applicable Memorandum for each Fund. There can be no assurance that CIVC will achieve the investment objectives of the Funds and a loss of investment is possible.

### **Investment and Operating Strategy**

CIVC adheres to a disciplined, consensus-driven investment process. This process institutionalizes the investment judgment developed over the past 30 years and has been carefully designed to facilitate all investment and exit decisions benefiting from the collective knowledge and experience of the entire CIVC investment team, and is based on detailed analysis. The four stages of CIVC's investment process are outlined below.

#### *Initial Review by the Deal Team*

All CIVC investment professionals work to proactively source new investment opportunities. As described in the previous section, CIVC primarily sources transactions through an active immersion strategy and active marketing to relevant intermediaries.

Once a potential investment opportunity is identified, the opportunity is logged in CIVC's database. The deal team typically will then review company materials, conduct preliminary business due diligence, and perform financial analyses around the company's performance, including the development of a detailed model. CIVC will begin at this point to contact its debt financing partners to assess debt financing options as well as to draw on the expertise of industry executives within its network. If the deal team decides to pursue actively an investment opportunity, it prepares a summary memo on the opportunity for review by the rest of the Firm.

#### *CIVC Team Review and Collaboration*

Each actively pursued investment opportunity is presented to the entire CIVC investment team so that deal teams can benefit from the collective experience and expertise of the entire firm in a setting that encourages open discussion and debate. These conversations generally center around the following: (i) the capital strength and growth prospects of the target business relative to competition; (ii) valuation and structure; (iii) in more competitive situations, CIVC's competitive advantage; and (iv) CIVC's investment thesis, which includes its approach to adding

value post-acquisition and to managing the risks inherent in the business. CIVC believes that investment decisions benefit from healthy, constructive debate conducted by investment professionals who have worked together for a long time. Often, suggestions from other members of the CIVC investment team provide the deal team with ideas about external contacts, such as industry consultants, service providers, or executives, who have relevant experience within the CIVC network. Before approving the allocation of significant internal resources or incurring external expenses, deal teams are required to receive the consent of the partners, at which point key areas of focus for due diligence are highlighted and discussed.

### *Detailed Due Diligence*

CIVC's sourcing strategy and expertise in its affinity areas often enables it to complete its detailed due diligence process quickly and efficiently. CIVC's formal due diligence process is extensive and requires investigation and assessment of the important aspects of a business. The process is designed to ensure that each investment opportunity is evaluated using consistent standards, and it seeks to identify potential opportunities and risks. Specifically, CIVC performs a top-down review of a target company's industry and its competitive position within that industry. It also develops a detailed understanding of the company's business model and financial performance through a bottom-up approach. The process typically includes a detailed analysis of company financials, interviews with key customers and suppliers and multiple meetings with management. Usually, CIVC will already understand the industry dynamics, risks and opportunities of the target company. In addition, it will already have a network of contacts in the target company's industry, and will be able to conduct third-party references beyond the contacts offered by the company.

CIVC does not outsource its due diligence process. However, CIVC often engages third-party specialists with technical expertise, including industry consultants, accountants, attorneys, environmental consultants, industrial psychologists, and private investigators. Furthermore, CIVC often meets industry experts and advisors in the course of immersion efforts and seeks to use these experts in its due diligence process.

Generally, throughout the due diligence process, deal teams present updated findings and analysis to the entire CIVC investment team at weekly meetings.

### *Final Team Review and Investment Committee*

Before a final vote by CIVC's investment committee, comprehensive due diligence materials are distributed to the entire investment team in the form of an investment memorandum. Once the deal has closed, these memoranda are archived in book form, copies of which are located throughout CIVC's offices as a record of the deal team's original expectations for the investment.

### **Risks of Investment**

The Funds and their investors bear the risk of loss that CIVC's investment strategy entails. Although the following risk factors are generally applicable to CIVC's Funds, investors should also refer to each Fund's Memorandum for risk factors specific to their Fund. The risks involved with CIVC's investment strategy and an investment in the Funds include, but are not limited to:

*Business Risks.* A Fund's investment portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance.* The performance of the CIVC principals' prior investments is not necessarily indicative of a Fund's future results. While the General Partners intend for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that desired returns will be achieved. On any given investment, loss of principal is possible.

*Investment in Junior Securities.* The securities in which a Fund invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

*Concentration of Investments.* A Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. However, limited partners are required to bear annual Management Fees through the Fund during the investment period based on the entire amount of the limited partners' commitments to the Fund, and other expenses as set forth in the Governing Documents.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the annual Management Fee payable to the respective General Partner) may exceed its income, thereby requiring that the difference be paid from a Fund's capital, including unfunded commitments.

*Dynamic Investment Strategy.* While each General Partner generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, the relevant General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant

Governing Documents. A General Partner may pursue investments outside of the industries and sectors in which CIVC has previously made investments or has internal operational experience.

*Growth Equity Transactions.* Certain Funds may make growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which a Fund may invest, including various segments of the financial services industry, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. While each Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the financial services industry, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements could have a material adverse effect on the operations and/or financial performance of the companies in which a Fund may invest.

*Leveraged Investments.* A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to a Fund that may not be covered by distributions made to such Fund or appreciation of its investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates (which are at or near historic lows) and could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be tight at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts.

Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency.

A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guaranty or exposure to such liability. The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. A Fund may incur leverage on a joint and several basis with one or more other Funds and entities managed by CIVC or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

To the extent a Fund provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Governing Documents, in which case the investment may be treated as a permanent investment of the Fund. As a result, the Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain which of may exclude bridge financing investments.

*Subscription Lines.* A Fund may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation.

A credit agreement may contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

In borrowing on behalf of a Fund, CIVC is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of a Fund's investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of a Fund



and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the Governing Documents, including the value used to determine the amount of carried interest available to the relevant General Partner with respect to such investment.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company, whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons. There is no assurance that a Fund will make follow-on investments or that such Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for such Fund to increase its participation in a successful operation.

*Non-U.S. Investments.* A Fund may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Fund and/or the partners with respect to a Fund's income, and possible non-U.S. tax return filing requirements for a Fund and/or the partners.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Projections.* Projected operating results of companies in which the Funds invest normally will be based primarily on financial projections prepared by each company's management, with adjustments to such projections made by CIVC in its discretion. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. With the passage of time, assumptions often change causing the projections to change. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections

*Public Company Holdings.* A Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose

information regarding such companies, limitations on the ability of a Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the CIVC principals and increased costs associated with each of the aforementioned risks.

*Director Liability.* The Funds will often obtain the right to appoint a representative to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes a Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's portfolio companies.

*Lack of Unilateral Control.* Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors or makes a minority investment, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their limited partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, a Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

*Material Non-Public Information; Other Regulatory Restrictions.* As a result of the operations of CIVC and its affiliates, CIVC frequently comes into possession of confidential or material non-public information. Therefore, CIVC and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment

which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or CIVC's internal policies.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent CIVC or the funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of CIVC's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by CIVC or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

*Unfunded Pension Liabilities of Portfolio Companies.* Certain court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although CIVC intends to manage each Fund's investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If such Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

*Valuation of Investments.* Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund

generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at CIVC or one of its service providers holding its financial or investor data, CIVC, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under CIVC's policies.

## **Conflicts of Interest**

CIVC and its related entities engage in a broad range of advisory and non-advisory activities including investment activities for their own account and for the account of other Funds, and providing transaction-related, investment advisory, legal, management and other services to Funds and portfolio companies. CIVC will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of CIVC conducting its activities, the interests of a Fund may conflict with the interests of CIVC, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, CIVC will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the commitment period of the most recently formed Fund, CIVC will pursue all appropriate investment opportunities exclusively through such Fund, subject to certain exceptions

set forth in the Fund's Governing Documents and CIVC's allocation policies. However, CIVC currently manages several other investment funds and investments similar to those in which the Funds will be investing, and may direct certain relevant investment opportunities to those investment funds and investments. CIVC's investment staff will continue to manage and monitor such investment funds and investments. CIVC's significant investment in the Funds, as well as CIVC's interest in the carried interest, operate to align, to some extent, the interest of CIVC with the interest of the partners, although CIVC has economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests. Such other investment funds and investments that CIVC may control may compete with the Funds or companies acquired by the Funds. Following the commitment period of a particular Fund, CIVC may focus its investment activities on other opportunities and areas unrelated to a Fund's investments.

From time to time, CIVC will be presented with investment opportunities that would be suitable for more than one of the Funds and other investment vehicles operated by advisory affiliates of CIVC, including, without limitation, investment opportunities that would be suitable as an add-on investment for an existing portfolio company of a Fund on the one hand, and as a platform investment for another Fund on the other hand. In determining which investment vehicles should participate, either directly or indirectly through portfolio companies, in such investment opportunities, CIVC and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Governing Documents, CIVC is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of CIVC in a portfolio company may also raise the risk of using assets of a client of CIVC to support positions taken by other clients of CIVC.

CIVC must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. CIVC generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Governing Documents, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant Fund's Governing Documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life-cycle and structure. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. CIVC will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with CIVC's obligations and may take into consideration factors such as those set forth above. Following such determination of allocation among Funds, CIVC will determine if the amount of an investment opportunity in which a Fund will invest exceeds the amount that would be appropriate for such Fund and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Governing Documents, Side Letters and CIVC's procedures regarding allocation of investment opportunities. CIVC's procedures may include, but are not limited to: expressed interest in coinvestment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors

similar thereto; CIVC's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair CIVC's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether CIVC believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds or CIVC. Although a prospective co-investor's willingness to invest in future Funds may be considered by CIVC, it generally will not be the sole determining factor considered by CIVC in identifying co-investors.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by CIVC or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other CIVC investors, and the consideration of the factors set forth above may result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. When and to the extent that employees and related persons of CIVC and its affiliates make capital investments in or alongside certain Funds, CIVC and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

CIVC's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While CIVC will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering relevant factors, there can be no assurance that a Fund'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 CIVC may be subject, discussed herein, did not exist.

In certain cases, CIVC will have opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, CIVC will use its discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Investment opportunities in a particular portfolio company may be appropriate for direct or indirect investments by multiple Funds at the same time. There is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to

enforce claims, or whether 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. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by CIVC in its sole discretion.

Since CIVC is permitted to retain a certain portion of transaction or monitoring fees for certain Funds (as described under “Fees and Compensation”) in connection with Fund investments, it could have a conflict of interest in connection with approving transactions and setting such compensation. CIVC attempts to resolve such conflict by offsetting the Management Fee by a portion of such supplemental fees.

Additionally, CIVC, its personnel, affiliates or others designated by CIVC expect from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the relevant Governing Documents are applied, CIVC and/or such other recipients will be permitted to retain such securities without additional offset against any Management Fees payable by the Funds, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or CIVC or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund).

Conflicts may arise if a Fund were to invest in the securities of a company in which another Fund already has an interest. Investments may not, for example, be available through the same investment vehicles, and investment entities may not have the same access to credit or employ the same hedging or investment strategies. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect interests held by other Funds.

Subject to any relevant restrictions or other limitations contained in the Limited Partnership Agreements of the Funds, CIVC will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, CIVC may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-investment vehicles eligible to reimburse expenses of that kind, except that in certain circumstances Broken Deal Expenses may not be borne by co-investors (as described further in “Fees and Compensation” above). In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by CIVC or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on

number of Funds or co-investment vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or CIVC. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, the General Partners and/or their respective affiliates typically have the right to appoint board members to such portfolio companies (including current or former CIVC personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve fees and/or other amounts payable to CIVC and/or its affiliates. Except to the extent such amounts are subject to the Governing Documents' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to CIVC.

Additionally, a portfolio company typically will reimburse CIVC or service providers retained at CIVC's discretion for expenses (including without limitation travel expenses) incurred by CIVC or such service providers in connection with its performance of services for such portfolio company. This subjects CIVC and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. CIVC determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to CIVC or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors involved in a particular transaction. These factors help to mitigate related potential conflicts of interest.

CIVC generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) CIVC or a related person of CIVC (which may include a portfolio company of such Fund), (ii) an entity with which CIVC or its affiliates or current or former members of their personnel has a relationship or from which CIVC or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, CIVC may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects CIVC to conflicts of interest, because although CIVC selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, CIVC may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that CIVC, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or CIVC), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not CIVC has a relationship or receives financial or other benefit from recommending a particular service provider,



there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

From time to time CIVC may cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by CIVC, or co-investors or co-investment vehicles. Such transactions may arise in the context of re-balancing an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by a portfolio company acquired by another Fund. Any such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value.

CIVC and/or its affiliates may also, from time to time, employ personnel with preexisting ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by CIVC and/or its affiliates; conversely, former personnel or executives of CIVC and/or its affiliates may serve in significant management roles at portfolio companies or services providers recommended by CIVC. Similarly, CIVC, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, CIVC and/or its affiliates, and/or the Funds or other investment vehicles they advise. CIVC may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide CIVC information about markets and industries in which CIVC operates (or is contemplating operations) or will provide other services that are beneficial to CIVC. CIVC may have a conflict of interest in making such recommendations, in that CIVC has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

In certain circumstances, current or former CIVC personnel may serve in interim or part-time roles at a portfolio company, or may provide services to a portfolio company as a secondee or in similar capacities, while maintaining certain benefits, support services or indicia of employment at CIVC. Under such arrangements, CIVC and/or the relevant portfolio company may pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest, in that amounts paid by a portfolio company in connection with secondee relationships will not result in additional offsets to the Management Fee. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees

and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold.

CIVC, its affiliates, and equityholders, officers, principals and employees of CIVC and its affiliates may buy or sell securities or other instruments that CIVC has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to the policies and procedures set forth in CIVC's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of CIVC have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

In addition, portfolio companies may from time to time pay certain fees to third party consultants (including consultants introduced or arranged by CIVC and/or its affiliates that may regularly provide services to one or more Fund portfolio companies), and such fees will not offset the Management Fee as described herein.

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

CIVC and/or its affiliates may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

CIVC has an incentive to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as CIVC has an incentive to maintain goodwill between it and its former, existing and prospective portfolio companies and, as a result, the products and services recommended by CIVC may not necessarily be the best or lowest cost option. From time to time CIVC, its affiliates and personnel and persons selected by them expect to receive the benefit of "friends and family" and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. Because its portfolio companies offer such discounts to customers other than CIVC and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, CIVC believes that the potential for conflicts of interest relating to such discounts is mitigated. CIVC, its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course. Discounted prices or better terms offered by a portfolio company to CIVC, any other portfolio company or third parties may affect the returns with respect to such portfolio company.

Any of these situations subjects CIVC and/or its affiliates to potential conflicts of interest. CIVC attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by CIVC's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds

and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, CIVC will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary or advisable, CIVC consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

### **DISCIPLINARY INFORMATION**

CIVC and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As described under “Advisory Business” above, the Management Company is affiliated with the following General Partners deemed registered as investment advisers under the Advisers Act in accordance with SEC guidance:

- CIVC GP V Global, L.P. (general partner of Fund V AIVs)
- CIVC GP V, L.P. (general partner of Fund V)
- CIVC GP IV, L.P. (general partner of Fund IV)
- CIVC GP III, L.P. (general partner of Fund III)
- CIVC GP IIIA, L.P. (general partner of Fund IIIA)

These affiliated investment advisers serve as general partners or managing members of Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

CIVC has adopted a Code of Ethics and Securities Trading Policy (the “Code”), which sets forth standards of conduct that are expected of CIVC principals and employees and addresses conflicts that arise from personal trading. The Code requires CIVC personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of any initial public offering or limited offering; and
- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any investor or qualified prospective investor upon request to Chris Geneser, the Chief Compliance Officer, at (312) 873-7300. Employees who

manage client accounts must conduct their personal securities transactions in a way to avoid a conflict with the client's interests.

CIVC and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, CIVC and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of CIVC.

Accordingly, should CIVC or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, CIVC would be prohibited from communicating such information to clients, and CIVC will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of CIVC personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and other employees of CIVC and its affiliates may directly or indirectly own an interest in one or more of the Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds.

Co-invest opportunities may also be presented to certain affiliates of CIVC, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or by direct investments in a particular portfolio company. CIVC may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in one or more of a Fund's portfolio companies or otherwise to have priority in co-investment opportunities.

CIVC and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles that may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar.

## **BROKERAGE PRACTICES**

CIVC typically does not engage in transactions in which it uses a broker-dealer. CIVC focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may or may not be retained. However, CIVC may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. In the instances in which CIVC uses a broker-dealer, it follows the following brokerage practices.

If CIVC sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by CIVC. In such event, CIVC will seek to select brokers on the basis of best price and execution capability. In selecting a

broker to execute client transactions, CIVC may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; (iv) gross compensation paid to the broker; and (v) the financial strength of the broker.

CIVC has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although CIVC generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with CIVC seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them. As a general matter, research provided by these brokers would be used to service all of CIVC’s Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by CIVC, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund.

To the extent that CIVC allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on its interest in receiving such research or other products or services, rather than based on its Funds’ interest in receiving most favorable execution.

CIVC does not anticipate engaging in significant public securities transactions; however, to the extent that CIVC engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for any Funds are completed independently, CIVC may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, CIVC may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of CIVC is favored over any other Fund.

When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a pro rata basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Fund. Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to the Funds over time.

In CIVC's private company securities transactions on behalf of the Funds, CIVC may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, CIVC may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although CIVC generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

## **REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, CIVC closely monitors companies in which the Funds invest. Additionally, the Chief Compliance Officer periodically checks to confirm that each Fund is managed in accordance with its stated objectives.

CIVC will generally provide to its limited partners (i) audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company periodically.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

CIVC and/or its affiliates may provide certain business or consulting services to companies in a Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Governing Documents, this compensation may, in many cases, offset a portion of the Management Fees paid by a Fund. However, in other cases, these fees may be in addition to Management Fees. CIVC or certain of its affiliates may have the right to receive certain non-investment advisory fees in connection with the Funds' investments and portfolio companies. For example, CIVC may be entitled to receive (i) certain professional services or related fees from a portfolio company in connection with certain transactions ("**Professional Service Fees**") and (ii) certain monitoring or consulting fees from a portfolio company for services provided to the portfolio company. As specified in a Fund's Limited Partnership Agreement, a portion of such fees generally is offset against the Management Fee.

From time to time, CIVC may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable pursuant to such solicitation arrangements will be borne by CIVC indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

## **CUSTODY**

As required by the Advisers Act, CIVC has established an account with the following qualified custodian to hold funds and securities on behalf of the Funds: The Chicago Trust Company.

## **INVESTMENT DISCRETION**

CIVC has discretionary authority to manage investments on behalf of the Funds. As a general policy, CIVC does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, CIVC and/or its affiliates may enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons or for other agreed upon reasons. CIVC assumes this discretionary authority pursuant to the terms of the Governing Documents and powers of attorney executed by the limited partners of the Funds.

## **VOTING CLIENT SECURITIES**

CIVC has adopted Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for a Fund's portfolio investments. The Proxy Policy seeks to ensure that CIVC votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. CIVC generally believes its interests are aligned with those of a Fund's investors through the principals' beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that CIVC may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board may approve CIVC's vote in a particular solicitation. CIVC does not consider service on portfolio company boards by CIVC personnel or CIVC's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by CIVC when voting proxies on behalf of a Fund. If any client would like a copy of CIVC's complete Proxy Policy or information regarding how CIVC voted proxies for particular portfolio companies, they may contact Chris Geneser, the Chief Compliance Officer, at (312) 873-7300, and it will be provided to clients at no charge.

## **FINANCIAL INFORMATION**

CIVC does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.