

# CI Capital Partners LLC

## Part 2A of Form ADV

### The Brochure

500 Park Avenue, 8th Floor  
New York, New York 10022

<http://www.cicapllc.com/>

March 2017

This brochure provides information about the qualifications and business practices of CI Capital Partners LLC (“CI Capital” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (212) 752-1850. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. The Firm is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

## Table of Contents

Table of Contents .....	2
Advisory Business .....	2
Fees and Compensation .....	3
Performance Based Fees and Side-by-Side Management .....	5
Types of Clients.....	6
Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Disciplinary Information .....	9
Other Financial Industry Activities and Affiliations .....	9
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
Brokerage Practices .....	11
Review of Accounts .....	11
Client Referrals and Other Compensation.....	12
Custody .....	13
Investment Discretion.....	14
Voting Client Securities .....	14
Financial Information .....	14

## Advisory Business

CI Capital is a limited liability company formed under the laws of the state of Delaware in 2007 but has been doing business through its predecessor entities since 1993. Frederick J. Iseman, through intermediate entities, controls and is the majority owner of CI Capital.

CI Capital’s affiliates serve as investment managers and provide discretionary advisory services to related private investment partnerships organized to primarily make leveraged buyout private equity investments in established businesses (each, a “Private Equity Partnership”). Going forward, any references to CI Capital shall include such affiliates. CI Capital also manages private investment partnerships that were each formed to invest in a single portfolio company, and investment entities which have made investments solely in such partnerships (each of the foregoing, a “Single Investment Partnership” and together with the Private Equity Partnerships, the “Partnerships”). The Single Investment Partnerships are no longer making new portfolio investments, but may make follow-on investments to existing portfolio investments in accordance with the terms of their governing documents. Each Partnership may also have a parallel fund and related investment vehicles. In connection with the structuring and marketing of a new Partnership, the relevant governing documents typically permit the general partner of the Partnership to form one or more co-investment vehicles for purposes of investing in some or all of the investments made by the Partnership. The Partnerships include a number of co-investment vehicles formed for such purpose. When referring to limited partners/investors and general partners in this document, we are also referring to the equivalent investors and managers of such entities.

In certain circumstances, third parties may be offered the opportunity to co-invest alongside the Partnerships. These third parties may include investors in the Partnerships and other entities affil-

iated with CI Capital; employees or related persons of CI Capital; service providers to the Partnerships, CI Capital or their affiliates, including lenders to the relevant portfolio company; advisers or consultants engaged by or on behalf of CI Capital, the relevant Partnership or portfolio company; management of other portfolio companies; and other third parties. CI Capital typically seeks to be paid carried interest from third party co-investors. CI Capital applies its discretion when allocating such opportunities among potential co-investors, taking into account facts and circumstances which may include the nature of the transaction, speed of execution required, tax, legal and regulatory considerations, familiarity with and history of investing in the relevant industry, ability to provide strategic insights, whether the co-investor will also be a lender to the relevant portfolio company, the amount of carried interest the co-investor will pay to CI Capital in connection with the co-investment, and other factors believed relevant by the Firm; provided that the Firm may, in its discretion, offer all or a portion of a co-investment opportunity relating to an investment in a Partnership to all investors in such Partnership and in other Partnerships. CI Capital has requested that investors advise CI Capital regarding their interest in co-investment opportunities. A potential third party co-investor typically will not pay for any costs and expenses related to the discovery, investigation, evaluation or acquisition of potential investments if such co-investor does not make the co-investment (and the relevant Partnership will bear such “broken-deal” expenses), provided that a co-investment vehicle established for CI Capital employees to invest alongside such Partnership in all transactions consummated subsequent to its formation will be charged a *pro rata* portion of all broken-deal expenses. If a third party co-investor makes a co-investment, all such costs and expenses will typically be paid for by the acquisition entity formed to consummate such investment and the co-investor will bear a *pro rata* share of such costs and expenses through its direct or indirect ownership of the acquisition entity.

In providing services to the Partnerships, CI Capital formulates the investment objective for each Partnership, directs and manages the investment and reinvestment of each Partnership’s assets, and provides periodic reports to investors in each Partnership. Investment advice is provided directly to each Partnership and not individually to the investors of the Partnerships. CI Capital manages the assets of each Partnership in accordance with the terms of the governing documents applicable to each Partnership.

CI Capital provides discretionary investment advisory services to approximately \$2.4 billion in regulatory assets under management on behalf of 17 accounts as of December 31, 2016.

## **Fees and Compensation**

CI Capital or an affiliated entity receives carried interest and may receive a management fee for providing investment services to the Partnerships. Management fees are generally payable quarterly in advance and are prorated for any period that is less than a full calendar quarter. Private Equity Partnerships are generally charged a management fee of 2.0%, per annum, on committed capital during the Private Equity Partnership’s commitment period, with a management fee of 1.75%, per annum, on funded capital commitments that remain invested in the respective Private Equity Partnership thereafter. The management fee is funded by drawdowns of unfunded capital commitments of limited partners or amounts withheld from proceeds otherwise distributable to limited partners of the Partnerships. The Private Equity Partnerships are also generally subject to a carried interest of 20% of profits on distributions from the disposition of investments or securities, subject to a preferred return to the limited partners of 8% per annum. On occasion, a higher

carried interest, subject to a higher preferred return, may be agreed upon. The Single Investment Partnerships are also generally subject to a carried interest of 20% of profits on distributions from the disposition of investments or securities, and are not subject to a preferred return; however one Single Investment Partnership is subject to a carried interest of 30% of profits, which is split between CI Capital and an unaffiliated partner.

The carried interest and management fee may be waived or reduced at the discretion of CI Capital for certain limited partners.

Please reference the Client Referrals and Other Compensation section of this brochure for details regarding certain offsets that are applied to the Private Equity Partnerships' management fees described above.

The Private Equity Partnerships bear all legal and other organizational and offering expenses incurred in the formation of the Partnerships. Any such expenses in excess of a certain dollar amount will generally reduce the management fees otherwise borne by the limited partners.

The fees and expenses charged to each Private Equity Partnership are negotiated with the limited partners during the Private Equity Partnership's fund raising period and may differ from Partnership to Partnership. Such fees and expenses, which are either paid by or reimbursed to the Firm by the Partnerships, will generally include: (i) all costs and expenses incurred in connection with the discovery, investigation, evaluation, acquisition, carrying, monitoring or disposition of investments, and the management of the relevant Partnership including, but not limited to, private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, hedging costs; underwriting commissions, discounts and similar fees; accounting, legal, investment banking, consulting, information services, advisory, and professional fees; custody, trustee, and transfer agent fees; other closing, execution and transaction costs; administration expenses (including internet website hosting, record keeping, partnership reporting, and fund administrators' fees), taxes, insurance, and other such expenses; (ii) fees, costs and expenses incurred in research and in otherwise obtaining information for the benefit of the relevant Partnership, including attending conferences in connection with the evaluation of potential portfolio investments or business segments, information service subscriptions, and the operation of market information systems and information technology systems; (iii) travel (which may, on occasion, include the use of non-commercial planes, in which case, unless such expense is being charged to a portfolio company, generally the equivalent of no more than a first class ticket for each person traveling may be charged), meals, lodging and entertainment expenses related to the formation of the relevant Partnership, partnership reporting, and the acquisition, carrying, or disposition of investments; (iv) any fees and expenses for litigation, indemnification or extraordinary expenses relating to the affairs of the relevant Partnership or its investments; (v) fees and expenses for compliance with applicable laws or regulations (including AIFMD and similar legal/regulatory regimes); (vi) interest, fees and expenses relating to borrowing arrangements or guarantees with respect to any Partnership investments; (vii) expenses with respect to the formation of alternative investment or similar vehicles provided for in the relevant partnership agreement; and (viii) administrative costs of the relevant Partnership, including expenses incurred in connection with Partnership meetings, distributions to partners, changes to the constituent Partnership documents, and liquidation and termination of the Partnership. Costs and expenses related to potential investments or dispositions are paid by the relevant Partnership regardless of whether the investment or disposition is consummated.

Expenses incurred by members of the Advisory Board of the Private Equity Partnerships in connection with attending Advisory Board meetings are typically paid by (or reimbursed to the Firm by) the Private Equity Partnerships.

Certain advisers or consultants are engaged by or on behalf of the Private Equity Partnerships or a portfolio company to work actively with CI Capital on sourcing and evaluating new transactions, as well as providing advice related to current portfolio company matters. These individuals are not partners or employees of CI Capital or any of its affiliates, and their terms of engagement are negotiated individually. The fees, costs and expenses (including overhead) incurred in connection with the provision of such services by such individuals are generally borne by the relevant Private Equity Partnership or portfolio company to which such individual provides services. On occasion, such individuals may be engaged by CI Capital in which case the fees, costs and expenses (including overhead) are borne by CI Capital.

Detailed information regarding fees and expenses charged to a Partnership is provided in the respective Partnership's governing documents. Investors should review all fees charged by CI Capital, its affiliates, and others to fully understand the total amount of fees to be paid by the relevant Partnership and, indirectly, its limited partners, and expenses that will be borne by the Partnership. Information regarding CI Capital's brokerage practices is included in this brochure under the Brokerage Practices section.

## **Performance Based Fees and Side-by-Side Management**

As discussed in the Fees and Compensation section, the Partnerships pay a carried interest to the respective general partner (or a related entity) of each Partnership. The carried interest may create an incentive for CI Capital to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments than would be made if such carried interest were not allocated to the respective general partners and special limited partners. The Firm seeks to address these conflicts through careful vetting of investment opportunities by its investment professionals and discussion of investments in capital call notices and quarterly reports. Additionally, the governing documents of certain of the Private Equity Partnerships have "clawback" provisions that require the general partner or related entity to return carried interest to the partnership at certain intervals if, in the aggregate, such person receives more than 20% of the total profits of the partnership.

The possibility exists that multiple Private Equity Partnerships that do not, by their terms, invest together may have capital available for investment at the same time, which may create a conflict of interest with respect to the allocation of investment opportunities. This conflict is mitigated by the fact that as a general matter, CI Capital will only be selecting investments for one Private Equity Partnership at any given time. As a Private Equity Partnership nears the end of its investment period, CI Capital may raise a new Private Equity Partnership and, in the circumstances where the new and predecessor Private Equity Partnerships have sufficient capital available for investments, CI Capital will allocate investments between the predecessor Private Equity Partnership and the new Private Equity Partnership equitably and in good faith.

## **Types of Clients**

CI Capital provides discretionary investment advisory services to the Partnerships, as described in the Advisory Business section. Each Partnership operates as a pooled investment vehicle. Investment advice is provided directly to the Partnerships, subject to the direction and control of the general partner of each Partnership, and not individually to the respective limited partners. Investors in the Partnerships may include, but are not limited to, corporate or business entities, banks, pooled investment vehicles (e.g., funds of funds), trusts, estates or charitable organizations, endowments, foundations, pension plans, and high net worth individuals. All investors are required to be “accredited investors” (as defined in Regulation D promulgated under the Securities Act of 1933) or otherwise be permitted to invest under applicable securities laws.

The minimum capital commitment for a limited partner of a Private Equity Partnership is outlined in such Partnerships’ governing documents; however CI Capital maintains discretion to accept less than the minimum investment threshold. The minimum capital commitment for a limited partner of a Single Investment Partnership is determined by CI Capital separately with respect to each Single Investment Partnership. In addition, the Private Equity Partnerships typically enter into separate agreements, commonly referred to as “side letters”, with certain investors that amend, modify or supplement the terms of the governing documents of the respective Partnership. Under certain circumstances, these agreements could give certain investors additional rights relative to other investors.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

CI Capital’s investment strategy is to make control investments in leveraged buyouts of middle-market companies primarily in North America. The Firm targets industries with attractive growth potential and strong cash flow. The Firm generally invests in businesses that can be used as a platform company for the consolidation of a fragmented industry. The sectors on which the Firm currently focuses include business services, healthcare services, distribution, logistics, and, secondarily, light manufacturing and government services and defense.

In sourcing and conducting due diligence of investment opportunities, the Firm seeks to form partnerships with experienced management teams and entrepreneurs to build substantial businesses through add-on acquisitions, organic growth and operational improvements.

Typically, the main source of information for the Firm regarding prospective portfolio companies is due diligence performed on such companies, which involves, among other activities, inspecting the books and records of the company, interviewing management and analysis of the company within its relevant industry. On certain occasions, an investment is made in a public company, in which case publicly filed corporate documents are also inspected by CI Capital. The Firm’s due diligence is supplemented by accounting/tax, legal, information technology, and insurance and benefits advisors and, as warranted, environmental, operations, organization, economic and strategy/industry advisors.

Prior to making an investment, CI Capital typically works with its operating executives and other industry experts to develop a plan to build value, which may incorporate aspects of the following strategies:

- (i) Growth through acquisition;
- (ii) Organic growth;
- (iii) Improvements to corporate infrastructure and augmentation of senior management, as warranted; and
- (iv) Margin improvement initiatives.

## **Investment Risks**

Acquiring interests in the Partnerships involves a number of risks. An investment in each Partnership may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Partnership. No guarantee or representation is made that the Partnership will achieve its investment objective or that limited partners will receive a return of their capital. Prospective investors in the Partnerships should consult with their advisers.

All investing involves a risk of loss and the investment strategy offered by CI Capital could lose money over short or even long periods. The description contained below is a brief overview of different market risks related to the CI Capital investment strategy.

### ***General Business and Management Risk***

Investments in portfolio companies subject the Partnerships to general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly and adversely affect the portfolio company's performance.

### ***Lack of Diversification***

Though efforts will be made to limit concentration risk in the Private Equity Partnerships, CI Capital expects that the Partnerships, and especially the Single Investment Partnerships, will be comprised of investments that would not be considered diversified. If a Partnership's investments are concentrated in a few portfolio companies or industries, any adverse change in one or more portfolio companies or industries could have a material adverse effect on such Partnership's investments.

### ***Liquidity Issues***

The Partnerships will generally invest in investments where there is likely to be no actively traded market. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, the Partnerships may find it more difficult to sell such investments when CI Capital believes it advisable to do so or may be forced to sell them at

prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Partnerships may be further limited. Finally, dispositions of investments may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

### ***Highly Competitive Market for Investment Opportunities***

The activity of identifying, completing, and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The Partnerships face competition from numerous competitors in all fields of activity. The Partnerships will be competing for investments with a variety of other investment vehicles, as well as individuals, financial institutions and other institutional investors. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that the Partnerships will be able to locate and complete investments which satisfy their investment objectives or that the Partnerships will be able to invest fully their available capital.

### ***Valuation of Assets***

Most of the securities owned by the Partnerships are not publicly traded and are required to be fair valued by CI Capital. When estimating fair value, CI Capital will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to review for approval by CI Capital's Valuation Committee.

### ***Risks Associated With Foreign Investments***

Although the Partnerships intend to invest primarily in U.S. securities, the Partnerships may from time to time invest in securities of non-U.S. issuers. Investing outside the United States may involve substantially greater risks than investing in the United States. In particular, the value of a Partnership's investments in foreign securities may be significantly affected by changes in currency exchange rates, which may be volatile. Additional risks of non-U.S. investments include: (i) risks of economic dislocations in the host country; (ii) less publicly available information; (iii) less well-developed regulatory institutions; (iv) greater difficulty of enforcing legal rights in a foreign jurisdiction; (v) less uniform accounting, auditing and financial reporting standards, practices and requirements; (vi) the possibility of expropriation of value; and (vii) political or social instability or diplomatic developments, each of which could have an adverse effect on a Partnership's investments in such foreign countries.

### ***Leverage***

The Partnerships typically invest in companies with leveraged capital structures. Such investments will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such company or its industry. If such a company is at any time unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the principal amount of the Partnership's debt investment, if any, may be at significant risk, and the value of the equity portion of the Partnership's investment in such company may be significantly reduced or eliminated.



### ***Broad Investment Charter***

Each Private Equity Partnership has a broad investment charter, and there are only a few formal constraints on the type of investments in which a Private Equity Partnership may invest. There can be no guarantee that CI Capital will be able to identify a sufficient number of investment opportunities for each Private Equity Partnership to enable it to invest fully its capital in opportunities that satisfy such Private Equity Partnership's investment objectives, or that such investment opportunities will lead to successful investments.

Investors should review the relevant Partnership's governing and offering documents to understand the applicable risks and potential conflicts of interest. However, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the Partnership.

### ***Enhanced Relationships with Certain Limited Partners***

In some cases, investors may also directly or indirectly (through an affiliate) provide financing, insurance, advisory or other services to CI Capital, the Partnerships or one or more of their respective portfolio companies. To the extent CI Capital, any such Partnership or any such portfolio company is seeking a provider of such services, they may have a financial, business or other incentive to procure such services from an investor (or one of its affiliates) on a basis other than best execution, best price or other similar basis. For example, CI Capital will have a conflict of interest with the Partnerships in recommending the retention or continuation of a service provider to a Partnership or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in the Private Equity Partnerships. Such investors may also be aligned with CI Capital, such Partnership or one or more of its portfolio companies in a manner that could give rise to conflicts of interest to the extent such investors are represented on such Partnership's advisory board.

## **Disciplinary Information**

CI Capital and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

As discussed, the Firm provides investment advice to the Partnerships. The general partners and special limited partners of the Partnerships are affiliated with CI Capital by common ownership. In addition, related persons of CI Capital that are affiliated by common ownership serve as the investment adviser to certain of the Partnerships. Otherwise, CI Capital and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

Employees of CI Capital serve as directors of publicly traded companies and private companies. Investors should be aware that receipt of material non-public information by CI Capital's related persons regarding these companies could preclude CI Capital from effecting transactions in the securities of such companies. Compensation, if any, for such directorships with portfolio compa-

nies of the Private Equity Partnerships offsets the management fee of the relevant Partnership payable to CI Capital, as described below in the Client Referrals and Other Compensation section of this brochure. These directorships facilitate CI Capital's investment strategy and its management of client portfolios.

CI Capital may recommend a portfolio company's services to other portfolio companies from time to time. CI Capital may have a conflict of interest in making such recommendations, as CI Capital has an incentive to recommend the portfolio company's services even if another service provider is more qualified to provide the applicable services and/or can provide such services at a lesser cost. To the extent that CI Capital recommends or facilitates arrangements between portfolio companies, such arrangements will be on terms that CI Capital believes are arms-length and/or fair and beneficial to the portfolio companies.

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

CI Capital has adopted a Code of Ethics which governs, among other things, personal trading by its personnel. Among other requirements, all employees must seek pre-approval from the Chief Compliance Officer for certain personal trades and must report their personal securities transactions and holdings. The policies additionally require the Chief Compliance Officer to regularly review all personal trading documents and to address any issues noted during the review, including the appropriateness of imposing a penalty for violations of the policies. Investors or prospective investors may obtain a copy of the Code of Ethics by contacting Mr. Jordan Bernstein (CI Capital's Chief Compliance Officer) via phone at (212)-752-1850.

Eligible CI Capital personnel hold, either directly or through the Partnerships' general partners, special limited partners, or other participation interests, financial interests in certain of the Partnerships. While investments by related persons and investment professionals of CI Capital are intended to align interests of CI Capital and its related persons with those of the Partnerships, such investments may create conflicts (for example, in a diverse group of investors, including the investment professionals, with conflicting tax or other interests, decisions may be made that are more beneficial to one type of investor). To address such conflicts, the investment arrangements are described and agreed upon in the constituent documents of each Partnership. Generally, investments and dispositions are made on the same economic terms for all limited partners of the Partnerships, including for CI Capital's related persons, and each investment is made pro rata among the limited partners of each Partnership and CI Capital's related persons who are limited partners, so that CI Capital's related persons may not receive favorable terms.

In certain limited cases, employees of CI Capital may have the opportunity to invest directly in portfolio companies of the Partnerships by participating in directed share programs in connection with the initial public offerings of such portfolio companies. In such cases, the employees are not required to transact in such securities at the same time as the Partnerships, and therefore these investments may be subject to certain conflicts of interest regarding the timing of transactions. However, any purchase of securities through a directed share program will be subject to the terms offered to unrelated third parties, if any, pursuant to such directed share program. Additionally, pursuant to CI Capital's Code of Ethics, covered persons are required to pre-clear any personal

transactions in initial public offering securities, including through directed share programs, and CI Capital will therefore have the opportunity to prohibit any transactions by such persons that would present a conflict of interest to the Partnerships in situations where CI Capital deems it appropriate.

CI Capital has adopted the Code of Ethics and related written policies designed to ensure compliance with the provisions of each Partnership's governing documents and to address potential conflicts of interest involving CI Capital and its related persons.

## **Brokerage Practices**

CI Capital focuses on making investments in private securities, thus it does not ordinarily engage any financial intermediary such as a broker-dealer in connection with the execution of transactions in public securities, and commissions are not ordinarily payable in connection with such investments. To the extent CI Capital transacts in public securities for the Partnerships, it intends to select brokers based upon the broker's ability to provide best execution for the Partnerships. CI Capital is generally authorized to make the following determinations, subject to the Partnership's investment objectives and restrictions, without obtaining prior consent from the relevant Partnership or any of its investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the allocation of brokerage transactions for Partnerships, CI Capital will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although CI Capital generally seeks competitive commission rates and commission equivalents, including mark-ups, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

CI Capital does not utilize soft dollar arrangements. While CI may receive routinely available research, CI Capital does not direct trading activity in lieu of payments for research or other services.

## **Review of Accounts**

CI Capital reviews the composition and investment opportunities of each Partnership on a regular, ongoing basis. Senior management works together with members of the CI Capital staff to monitor and target improvements in existing portfolio companies, which are the investments of the Partnerships. Following consummation of an investment, CI Capital typically has the right to appoint the board of directors of each of the Partnership's portfolio companies, and, in such case, such boards always include members of the CI Capital team. Additionally, to monitor portfolio

company performance, the Firm reviews a detailed financial reporting package for each portfolio company on a monthly basis and maintains a regular dialogue with the management team.

CI Capital provides quarterly and annual reports to each investor in the Private Equity Partnerships to the extent agreed to in the relevant partnership agreement. The quarterly report includes unaudited financial information and unaudited statements of each limited partner's capital account. On at least a semi-annual basis, CI provides a summary review of activities and developments of each portfolio company held by the Private Equity Partnership. CI Capital also provides audited financial statements to the investors of certain Partnerships annually.

## **Client Referrals and Other Compensation**

While the Firm does not generally compensate any person for client referrals, during a fundraising cycle for a Private Equity Partnership, CI Capital has and will compensate placement agents who introduce new investors that commit capital. The use of a placement agent will be fully disclosed to investors referred by placement agents.

From time to time, the Firm receives from portfolio companies (or prospective portfolio companies) of a Private Equity Partnership transaction fees, portfolio company monitoring fees, break-up fees, commitment fees, termination fees or other similar fees ("Fee Income") in connection with providing the following types of advisory services as reasonably requested by the applicable company: assistance with strategic planning; assistance with the identification of and negotiating tactics and strategy with respect to acquisitions and divestitures; assistance with evaluating the organizational needs of a company and with senior executive recruiting; assistance with process engineering, business modelling, cost reduction and competitive positioning; and assistance in developing and managing relationships with lending sources and other key business constituencies. Firm personnel may (but generally do not) also receive board of directors fees with respect to such investments ("Directors Fees"). Fee Income may be paid upon the completion of an acquisition (including an add-on acquisition) or disposition or pre-paid upon an initial public offering of a portfolio company or may be an ongoing fee and is generally tied to the following financial measures: (x) 2% of enterprise value of the portfolio company or prospective portfolio company (or add-on acquisition target), in the case of transaction fees, and (y) 2% of EBITDA of the portfolio company, in the case of monitoring fees. 100% of all Directors Fees and 60% of Fee Income, subject to certain offsets described in the relevant Private Equity Partnership governing documents, will reduce future quarterly management fees otherwise payable by such Private Equity Partnership by an identical amount. Depending on the terms of the relevant Private Equity Partnership's governing documents, the amount of Fee Income available to offset management fees will be decreased by an amount equal to the pro rata portion of Fee Income attributable to commitments to such Private Equity Partnership by affiliates of CI Capital, as compared to total commitments to such Private Equity Partnership. Payments to advisers and co-investors engaged by or on behalf of a Private Equity Partnership, a portfolio company of a Private Equity Partnership, or the Firm to work on sourcing and evaluating new transactions, or providing advice related to portfolio company matters, do not reduce the management fees payable by such Private Equity Partnership to the Firm. Fee Income allocable to the Single Investment Partnerships and co-investors, including co-investment vehicles, is retained by the Firm pursuant to the terms of the relevant governing documents and does not reduce the management fees, if any, otherwise paya-

ble by such Single Investment Partnerships and co-investors or by the Private Equity Partnerships. Certain investors in the Private Equity Partnerships have opted in their subscription agreement, or negotiated via side letter, the ability to receive their proportional share of residual Fee Income at the end of the relevant Private Equity Partnership's life. The remainder of residual Fee Income is retained by CI Capital. In certain cases, the collection of Fee Income from portfolio companies may be deferred. This practice impacts the timing of management fee offsets and may increase the remainder of residual fee income to be retained by CI Capital.

- CI Capital generally receives ongoing monitoring fees from portfolio companies annually in advance. If a portfolio company investment is realized during a period, CI Capital is not obligated to refund the portfolio company for the period of time for which it will not provide services. The payment of monitoring fees may be accelerated upon an initial public offering of a Private Equity Partnership's portfolio company. In such cases, CI Capital will typically be entitled to receive, at the time of such initial public offering, a lump sum payment equal to the present value of the monitoring fee for the remaining term of the advisory agreement with such portfolio company (which remaining term may be up to three years, and which may extend beyond the period in which the Private Equity Partnership maintains an ownership position in the portfolio company). For transaction fees that are payable upon the completion of a disposition and are based on the enterprise value of the portfolio company, enterprise value includes contingent consideration (if and when paid) and amounts payable on a deferred basis (including amounts held in escrow). The payment of the transaction fees in respect of such enterprise value may extend beyond the period in which the Private Equity Partnership maintains an ownership interest in the portfolio company. In addition, if provided in the management agreement with the portfolio company, CI Capital is entitled to be paid a transaction fee upon completion of certain acquisitions or divestitures by a Private Equity Partnership's portfolio company following an initial public offering of such portfolio company, provided that CI Capital renders advisory services relating to such acquisition or divestiture and a definitive agreement with respect to such acquisition or divestiture is entered into within one year of such initial public offering.

CI Capital has made loans to certain Single Investment Partnerships in order to fund expenses since the entities can no longer call capital. CI Capital earns interest on these loans.

## **Custody**

All cash and non-privately offered securities of the Partnerships are held in custody by unaffiliated broker-dealers or banks; however CI Capital has access to client accounts since its affiliates serve as the general partners of the Partnerships. Limited partners (or members or owners) will not receive statements from the custodian. Instead those Partnerships whose assets CI Capital and its related persons have custody over are subject to an annual audit and the audited financial statements are distributed to each limited partner (or member or owner). The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the relevant Partnerships' fiscal year ends.

## **Investment Discretion**

CI Capital generally has discretionary authority to determine, without obtaining specific consent from the Partnerships or their respective limited partners, the portfolio companies and any other securities and the amount to be bought or sold. Any limitations on authority are included in the Partnerships' respective governing documents and any side letters that they execute with investors.

## **Voting Client Securities**

The Partnerships are primarily invested in private companies which typically do not issue proxies. On occasion, the Partnerships are invested in private companies which go public, in which case such companies will issue proxies. In the event proxies have to be voted, CI Capital has adopted and implemented written policies and procedures governing the voting activities on behalf of its Partnerships in accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. Its proxy voting activities are conducted in a manner consistent, under all circumstances, with the best interest of the Partnerships' investors.

In exercising its voting discretion, the Firm and its employees will avoid any direct or indirect conflict of interest raised by such voting decision. Some CI Capital investment professionals and certain industry professionals selected by CI Capital (each, an "Operating Executive") serve as board members for the Partnerships' portfolio companies. In situations where CI Capital votes the proxy for a company in which a member of CI Capital or Operating Executive serves on the board of directors, the Firm has determined that it does not inherently present a conflict of interest as the purpose for serving on the board is to maximize the return on the investors' investment and to ensure that the Partnerships' interests are protected.

All proxies that CI Capital receives will be treated in accordance with these policies and procedures. A copy of CI Capital's written proxy voting policies and procedures, as well as a record of how CI Capital has voted in the past, will be maintained and available for review upon written request, by contacting the Firm at (212) 752-1850.

## **Financial Information**

CI Capital has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Partnerships.