

**FORM ADV PART 2A -- INVESTMENT ADVISER BROCHURE**

**CHICAGO GROWTH PARTNERS, LLC**

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**February 13, 2012**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Chicago Growth Partners, LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (312) 698-6300. 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**

The Management Company is a newly registered investment adviser and this is its initial Brochure. For future Brochures, this page will describe any material changes made since the previous Brochure.

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## ADVISORY BUSINESS

Chicago Growth Partners is a private investment management firm, including several registered investment advisory entities and other organizations affiliated with the Management Company (collectively, “**CGP**”).

The Management Company, a Delaware limited liability company and a registered investment adviser, provides discretionary investment advisory services to private investment funds. The Management Company commenced operations in May 2005.

The following are the affiliated advisers of the Management Company (collectively with the Management Company, the “**Advisers**”):

- William Blair Capital Partners VI, L.L.C. (“**Blair VI**”)
- William Blair Capital Management VII, L.P. (“**Blair VII**”)
- Chicago Growth Management, LP (“**CGM I**”)
- Chicago Growth Management II, L.P. (“**CGM II**,” and together with Blair VI, Blair VII and CGM I, the “**General Partners**”).

The Advisers’ clients include the following (collectively the “**Partnerships**,” and together with any future private investment fund to which CGP or its affiliates provide investment advisory services, “**Funds**”):

- William Blair Capital Partners VI, L.P. (“**Blair Fund VI**”)
- William Blair Capital Partners VII, L.P. (“**Blair Fund VII Main**”)
- William Blair Capital Partners VII QP, L.P. (“**Blair Fund VII QP**,” and together with Blair Fund VII Main, “**Blair Fund VII**”)
- Chicago Growth Partners, LP (“**CGP Fund I**”)
- Chicago Growth Partners II, LP (“**CGP Fund II**”)

The General Partners each serve as general partner to one or more Partnerships and have the authority to make the investment decisions for the Partnerships to which they provide advisory services. The Management Company provides the day to day advisory services for the Partnerships. Each General Partner is registered under the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure describes the business practices of the Advisers which operate as a single advisory business and are under common control. References contained in this Brochure to the strategy and operations of a General Partner should be read to include the activities of the Management Company and other CGP affiliates that collectively engage in the investment process and ongoing management of the Partnerships’ portfolio companies.

The Partnerships and any other Funds that may be formed by a General Partner (or its affiliates) at a later date or that may otherwise become clients of an Adviser are expected to invest through negotiated transactions in operating entities. The Advisers' investment advisory services to the Partnerships consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted, subject to certain limitations in the limited partnership agreement of each Partnership (the "**Partnership Agreement**"). From time to time, the senior principals or other personnel of the Advisers or their affiliates may serve on a portfolio company's board of directors or otherwise act to influence the management of portfolio companies.

The Advisers' advisory services for Funds are further described in the applicable private placement memoranda and limited partnership agreements, as well as below under "Methods of Analysis, Investment Strategies and Risk of Loss" and "Investment Discretion." Investors in Funds participate in the overall investment program for the applicable Partnership. The Funds or the Advisers may enter into side letters or similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing a Fund's Partnership Agreement.

As of December 31, 2011, the Management Company managed \$732.6 million in client assets on a discretionary basis. Although the Management Company does not have an owner with a 25% or more ownership interest, the decisions of the company are governed by a board consisting of Robert D. Blank, David G. Chandler, Robert P. Healy, Arda Minocherhomjee and Timothy M. Murray.

## **FEES AND COMPENSATION**

In general, the General Partners receive a Management Fee (as defined below) and a carried interest in connection with advisory services. The General Partners or other CGP entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of Partnerships and a portion of such additional compensation will offset in part the management fees otherwise payable to the applicable General Partner. Investors in the Partnerships also bear certain fund expenses.

### **Management Fee**

#### *Blair Fund VI and Blair Fund VII*

Each of Blair Fund VI and Blair Fund VII pays the applicable General Partner, quarterly in advance, a management fee (the "**Management Fee**") equal to a maximum of 2.0% on an annual basis of each such Partnership's aggregate investor capital commitments ("**Commitments**"). Investors participating in a closing after the initial closing bear the Management Fee from the initial closing. Following the sixth anniversary of the commencement of the applicable Partnership, the Management Fee rate will be reduced in increments of 0.2% each year (*i.e.*, the Management Fee will equal 1.8% in year 7, 1.6% in year 8, 1.4% in year 9, etc.). In addition, at such time as capital contributions which have not been returned through distributions or permanently written down ("**Unreturned Capital**") are less than 40% of the

aggregate capital contributions made since the inception of the applicable Partnership, the Management Fee will equal 2.0% of Unreturned Capital.

Blair Fund VI has ceased paying a Management Fee to Blair VI.

#### *CGP Fund I and CGP Fund II*

Each of CGP Fund I and CGP Fund II will pay the applicable General Partner, quarterly in advance, a Management Fee equal to 2.0% on an annual basis of aggregate Partnership Commitments. Investors participating in a closing after the initial closing of a Partnership bear the Management Fee from the date of the initial closing of such Partnership. After the sixth anniversary of the commencement of the applicable Partnership, the Management Fee will be reduced and will equal 2.0% of (a) the aggregate funded Commitments, less (b) distributions constituting a return of capital and the aggregate amount of permanent write-offs.

As permitted under the Partnership Agreement for CGP Fund I and CGP Fund II, the General Partner may waive or agree to reduce the Management Fee. Any such waived or reduced portion of the Management Fee reduces the amount of capital the General Partner would otherwise be required to contribute to the Partnership. The limited partners of the Partnership may be required to make a *pro rata* contribution according to their respective the Commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions.

#### *Payment Terms and Management Fee Offsets*

The Management Fee generally will be payable until all portfolio investments are distributed or until the applicable General Partner's relationship with the Partnership is terminated for other reasons (as described in the Partnership Agreement). Installments of the Management Fee payable for any period other than a full three-month period are adjusted on *pro rata* basis according to the actual number of days in such period.

The Management Fee is reduced by a specified percentage of any directors' fees, financial consulting fees, advisory fees, professional services or break-up fees paid by portfolio companies to a General Partner, the Management Company or their affiliates, partners, members, officers or employees (such fees, "**Supplemental Fees**"). In the case of Blair Fund VI and Blair Fund VII, such Supplemental Fees are first used to reimburse the Partnership for all costs and expenses not previously reimbursed to the extent incurred by it in connection with any consummated or unconsummated transaction prior to offsetting the Management Fee. To the extent that such an offset credit would reduce the Management Fee for a given three-month period below zero, the credit will be carried forward for future application against payable Management Fees. With respect to CGP Fund I and CGP Fund II, to the extent any such excess remains unapplied upon dissolution of such Partnership, each partner of such Partnership will receive its share of such unapplied excess, unless such partner elects not to receive its share. To the extent that any other Fund or any other entity or individual co-invests alongside the Partnership in any portfolio company investment, any Supplemental Fees will be allocated *pro*

*rata* among the Partnership and the co-investors in proportion to the cost of the investment in the portfolio company borne by each.

### **Carried Interest**

The General Partner of each Partnership is entitled to a carried interest with respect to such Partnership equal to 20% of all profits in excess of a 8% (7% for Blair Fund VII) compound preferred return, subject to a General Partner catch-up provision, as more fully described in the Partnership Agreement of the applicable Partnership. There is no preferred return to the limited partners with respect to profits in Blair Fund VI. The carried interest distributed to the General Partner is subject to a potential giveback at the end of the life of the Partnership if the General Partner has received excess cumulative distributions.

### **Other Information**

The Partnerships and other 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 Partnership Agreement, over the term of the applicable Partnership, and investors generally are not permitted to withdraw or redeem interests in the Partnership.

Principals or other employees of CGP may receive a portion of the Management Fee, carried interest or other compensation received by the General Partners or their affiliates.

In addition to the Management Fee and carried interest payable to the applicable General Partner, each Partnership bears certain expenses. As set forth in the Partnership Agreement for the applicable Partnership, each Partnership bears all Partnership expenses to the extent not paid by portfolio companies, including: legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with the Partnership's financial statements, tax returns and K-1s; out-of-pocket expenses incurred in connection with transactions not consummated; expenses of any committee of limited partners (a "**Limited Partners' Committee**") and annual meetings of the limited partners; insurance; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Partnership. Each General Partner will bear all ordinary administrative and overhead expenses incurred by such General Partner or its affiliates in connection with managing, originating and monitoring investments of the applicable Partnership, including salaries, rent, utilities and other administrative expenses. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

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

As described under "Fees and Compensation," the General Partners may receive a carried interest allocation on certain profits in the Partnerships. The Advisers or their affiliates do not currently advise any private investment vehicles that are not subject to a Management Fee or carried interest.

## TYPES OF CLIENTS

The Advisers provide investment advice to Funds, including the Partnerships. Funds are 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 “**Investment Company Act**”). 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 the Advisers and their affiliates.

The minimum investment for third-party investors in each Partnership is as follows: (a) \$2 million for Blair Fund VI; (b) \$3 million for Blair Fund VII; and (c) \$5 million for each of CGP Fund I and CGP Fund II. The minimum investment for a Partnership may be waived by the applicable General Partner. Interests in Blair Fund VII QP, CGP Fund I and CGP Fund II are generally offered and sold to investors that are (i) “accredited investors” as defined under Regulation D of the Securities act of 1933, as amended and (ii) either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act. Interests in Blair Fund VI and Blair Fund VII Main are offered and sold solely to certain qualified investors who are also accredited investors.

Certain affiliates and personnel of CGP and other third party investors may be permitted to co-invest directly in a particular portfolio company or in a holdings company which holds the equity in the portfolio company directly. The Advisers will select which investors are permitted to participate in such co-invest opportunities 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 may be more fully described in the applicable Partnership’s Partnership Agreement. The Advisers are not obligated to make co-investment opportunities available to any particular investors or limited partners.

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

### General

The principal investment strategy of CGP is to seek to achieve long-term capital appreciation, primarily by acquiring equity and equity-related securities and debt in small to medium sized, private growth companies. CGP primarily pursues companies in the following sectors: business and consumer services, growth-oriented industrials and healthcare. Investments are predominantly of non-public companies although investments in public companies are permitted, subject to certain restrictions in the Partnership Agreement.

The following is a summary of the investment strategies and methods of analysis generally employed by the Advisers on behalf of the Partnerships. More detailed descriptions of the Partnerships’ investment strategies and methods of analysis are included in the applicable private placement memorandum and Partnership Agreement for each Fund. *There can be no assurance that the Advisers will achieve the investment objectives of the Partnerships, and a loss of investment may be possible.*



## Investment and Operating Strategy

The Advisers' investment strategy incorporates the following elements: (i) multi-faceted origination capabilities; (ii) disciplined investing; (iii) diversification; (iv) transaction control; and (v) active portfolio management.

*Sourcing Deals.* The Advisers employ consistent, targeted marketing efforts in order to source proprietary deal flow as well as to provide access to deal flow through limited auction processes. The Advisers believe they have developed strong relationships with service providers including lawyers and accountants, financing sources and with the portfolio company executives with whom the Advisers have previously invested. The Advisers seek to leverage these relationships to support industry-targeted marketing efforts, aimed at identifying quality, small to medium sized growth-oriented companies that compete in these markets. The Advisers' direct marketing efforts include quarterly newsletters to update the marketplace on recent happenings of CGP and its portfolio companies, formal relationships with deal sourcing firms, direct calling efforts and relationships with search firms. In a number of instances, the Advisers have coordinated direct marketing efforts on behalf of their portfolio companies to solicit acquisition opportunities. The Advisers also seek to proactively market to small and middle market investment bankers, buy-side agents, boutique intermediaries and other deal brokers. The objective of these efforts is to see as many high-quality deals as possible in an effort to ensure that the Advisers are reviewing the opportunities that best fit CGP's investment criteria. While the Advisers do not believe that they depend on these sources for investment opportunities, the Advisers recognize that many quality companies utilize investment bankers and these channels represent a source of high-quality deal flow. The Advisers will participate in auctions where they believe that they have an advantage relative to other bidders, either through industry knowledge or through a prior relationship with the seller intermediary.

*Upfront Screening.* The Advisers utilize a disciplined, rigorous investment screening process focused on growth investments. The Advisers focus on areas where CGP has previously invested, including markets with above average, sustainable growth rates and companies which are well positioned in those markets. As part of the comprehensive upfront screening process, the Advisers aim to complete detailed analyses of the target's growth prospects, end-markets, competition, historical and projected financial performance and customer and supplier dynamics. Importantly, the upfront investment screening process generally includes at least one meeting with the target's management team early in the process to ensure the target has successful, proven management teams. As part of the initial screening, the Advisers generally conduct multiple meetings with potential financing sources to get comfortable with available debt packages. The Advisers also develop preliminary financial models to confirm the likelihood of a successful investment. The Advisers regularly discuss new opportunities at weekly meetings to leverage CGP's broad experience and various points-of-view.

*Obtaining the Deal.* To help ensure the Advisers "lock up" a transaction, whether it is proprietary or part of an auction process, the Advisers seek to maintain continuous contact with both the seller and intermediary, respectively, to emphasize interest in the deal. The Advisers seek to leverage their broad network in this effort to ensure that they are using every possible tool at their disposal to help obtain a deal. As part of the bidding process, the Advisers create detailed bid packages that include not only a letter of interest/term sheet, but also a continuing

interest letter, timetable to close, detailed list of areas of due diligence to be completed, reference list, resumes of the professionals involved, and generally an additional document that outlines why the Advisers believe that they have a competitive advantage in the process. Examples of such competitive advantages may include industry relationships the Advisers can leverage to drive growth in the target's business or specific operating expertise in the target's market. Most importantly, the Advisers also emphasize their internal value-add capabilities as a selling point when trying to obtain exclusivity in a transaction, which the Advisers believe to be a key competitive advantage.

*Due Diligence Process.* The Advisers utilize a cautious, value-oriented approach to due diligence and investment review. The Advisers seek to capitalize on their experience in recognizing sustainable growth trends and companies well positioned to take advantage of this growth. The due diligence process includes a comprehensive market analysis of an industry's fundamental growth trends as well as its competitive dynamics. This due diligence process seeks to ensure that any potential investment opportunity combines a complete, proven management team with a market that displays sustainable growth trends.

Once the Advisers believe an investment opportunity meets their criteria, the Advisers conduct a comprehensive, structured due diligence effort with the purpose of fundamentally understanding the operations of the target company and anticipating any risks that might threaten the target in the future. The Advisers seek to thoroughly analyze the strengths and weaknesses of a target company's management team. This review generally includes management reference calls, industrial psychologist interviews, thorough background checks, and multiple interviews with all key management team members as well as a comprehensive cross reference exercise once all of these analyses have been completed. As part of the industrial psychologist interview, potential portfolio company executives are often tested and evaluated on intelligence, experience, personality, mental capacity and ability to work in private equity-owned environments. This method of evaluating management teams has led to a highly refined process, which the Advisers believe improves investment results. In addition to a thorough management review, the Advisers often retain third-party consultants to help assess business and market conditions, accuracy of financial statements, legal status, competition, products, facilities, supplier relationships and customer satisfaction. This review is usually accompanied by a detailed financial analysis of the historical and projected revenues, earnings and cash flow streams of the business. Finally, the Advisers rely on their in-house value-add technology, operations and strategy development resources to analyze the target companies IT systems, operations and marketing functions in order to anticipate operational issues as well as opportunities to improve business processes and revenue growth.

*Negotiating and Structuring.* After the Advisers have completed the due diligence process and are ready to close the investment, the Advisers work to negotiate advantageous deal terms, capital structures and post-closing governance arrangements. The Advisers, in conjunction with legal counsel, take an active role in negotiating the appropriate transaction documents, including Definitive Purchase Agreements, Stockholders Agreements and Credit Agreements, among others in an effort to obtain necessary rights and protections such as pre-emptive rights and dragalong rights. The Advisers also work closely with financing sources in an effort to ensure adequate flexibility on debt pay-down and covenant requirements. The Advisers generally have a direct role in negotiating important transaction terms such as escrows,

indemnification caps and baskets and seller representations and warranties and work directly with the target company's management team to structure management equity incentive plans, including the creation of management option pools to align interests. After finalizing all documents, the Advisers hold a "bring-down" due diligence call shortly before scheduled closing to ensure the business and outlook remain unchanged. Once the "bring-down" due diligence call is completed, the Advisers work with lenders (if applicable) and legal counsel to close the transaction expeditiously.

*Portfolio Monitoring and Value-Added Resources.* After investing in a company, the Advisers take a proactive role on the company's board of directors. The Advisers' personnel provide strategic and financial direction and work collaboratively to share their experience with the portfolio companies. This board-level involvement is augmented by the Advisers' internal, value-added expertise, with specific focus on operations, information technology and marketing. The Advisers focus on cost savings and revenue growth initiatives and facilitating management best practices.

## **Risks of Investment**

A Partnership and its investors bear the risk of loss that the applicable Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Partnership are detailed in the Partnership's private placement memorandum. In general, the risks applicable to each Partnership and the activities of its related General Partner and the Management Company include, but are not limited to:

*Investment in Private Companies.* The Partnership's investment portfolio will 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 which can result in substantial losses.

*Reliance on Portfolio Company Management.* Although the General Partner will monitor the performance of each Partnership investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis.

*Concentration.* The Partnership will participate in a limited number of investments and, as a consequence, the aggregate return of the Partnership may be affected by the performance of a single investment.

*Timing of Investments.* There can be no assurance as to the timing of investments. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. Limited partners will be required to pay the Management Fee based on the entire amount of their Commitments, regardless of whether the Partnership is fully invested.

*Potential for Loss.* It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before realization of gains on successful investments. The return of capital and the realization of gains, if any, will occur 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. Prior to such

time, there will often be no current return on the investments. The securities in which the Partnership will invest may be among the most junior in a portfolio company's capital structure, and thus subject to the greatest risk of loss.

*Valuations.* Most of the Partnership's investments will be difficult to value. Generally, there will be no readily available market for a substantial number of the Partnership's investments.

*Projections.* The General Partner generally will base the capital structure of companies in which the Partnership invests on financial projections for those companies. Projected operating results of a company will be based primarily on management judgments. It should be recognized that, in all cases, projections are only estimates of future results which are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be obtained, 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.

*Uncertain Economic and Political Environment.* The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, continues to be restricted. This may have an adverse effect on the economy generally and on the ability of the Partnership and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections.

## **Conflicts of Interest**

During the investment period of a given Partnership, all appropriate investment opportunities will be pursued by the Advisers through such Partnership, subject to certain limited exceptions. At any given time, the Advisers will typically manage several other Funds in addition to a given Partnership, which may include investments similar to those in which it will be investing or have investments in portfolio companies in the form of securities or other investments that are not the principal focus of such Partnership, and may direct certain relevant investment opportunities to those Funds and with respect to such investments. The Advisers' principals and investment staff will continue to manage and monitor the investments of such Funds until their realization. The portfolio company investments of such other Funds may potentially compete with companies invested in by a given Partnership. Following the investment period of a given Partnership, the Advisers' principals may focus their investment activities on other opportunities and areas unrelated to such Partnership's investments while continuing to monitor such Partnership's investments with an eye towards increasing value and seeking realization.

From time to time, an Adviser will be presented with investment opportunities that would be suitable not only for a given Partnership, but also for other Funds and other investment vehicles operated by advisory affiliates of such Adviser. In determining which investment vehicles should participate in such investment opportunities, the Advisers are subject to conflicts of interest among the investors in such investment vehicles. The Advisers attempt to resolve such conflicts of interest in light of their obligations to investors in their Funds and the obligations owed by their advisory affiliates to investors in investment vehicles managed by them, and attempt to allocate investment opportunities among a Partnership, other Funds and such investment vehicles in a fair and equitable manner. Where necessary, the Advisers consult and receive consent to conflicts from the Limited Partners' Committee.

Because the General Partners' carried interest is based on a percentage of net realized profits, it may create an incentive for the Advisers to cause the Partnerships to make riskier or more speculative investments than would otherwise be the case. Since the General Partners may be permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Partnership investments, the Advisers could have a conflict of interest in connection with approving transactions. The General Partners attempt to resolve such conflict by offsetting the Management Fee by a portion of such Supplemental Fees.

The principals of CGP spun out of William Blair & Company, L.L.C. ("**William Blair**") in 2004. As a result, William Blair is a member of Blair VI and William Blair Capital Management VII, L.L.C. ("**Blair VII UGP**"), the general partner of Blair VII, and has the ability (together with certain of its affiliates) to designate a portion of each entity's board of managers, which is responsible for the management of such entity. William Blair is a full-line investment banking concern which may create a conflict of interest with respect to the activities of Blair Fund VI and Blair Fund VII. William Blair engages in a broad variety of underwriting, private placement and financial advisory services. With respect to its underwriting services and placement services, William Blair may be paid fees (including fees in connection with the consummation of an investment by a Partnership in a portfolio company) that are not shared with the applicable Partnership. William Blair also provides a broad range of financial services, including brokerage, accounting, underwriting and financial advice, which may have utilized by Blair Fund VI and Blair Fund VII or their portfolio companies. In each case, such services will only be utilized if the applicable General Partner believes such services are at no greater cost than would be the case if an unaffiliated party provided such services.

#### **DISCIPLINARY INFORMATION**

The Management Company and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure. William Blair has certain events that are disclosed under this section of its Brochure.

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

The Management Company is affiliated with the following CGP investment advisers:

- William Blair Capital Partners VI, L.L.C. (general partner of William Blair Capital Partners VI, L.P.);

- William Blair Capital Management VII, L.P. (general partner of William Blair Capital Partners VII, L.P. and William Blair Capital Partners VII QP, L.P.);
- Chicago Growth Management, LP (general partner of Chicago Growth Partners, LP); and
- Chicago Growth Management II, LP (general partner of Chicago Growth Partners II, LP).

Each of these General Partners is registered with the SEC under the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with the Management Company and serve as managers or general partners of Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

The principals of CGP were previously affiliated with William Blair prior to spinning out to form CGP in July 2004. In connection with the spin-out, the principals of CGP agreed to continue managing Blair VI and Blair VII. Although CGP is no longer affiliated with William Blair, William Blair is still a member of Blair VI and Blair VII UGP. In connection with this role, William Blair (together with certain of its affiliates) maintains the right to appoint a portion of the board of managers of each of Blair VI and Blair VII UGP. The board of managers of each of the Blair VI and Blair VII UGP has the authority to manage the affairs of such entity and, in turn, the applicable Partnership. In its capacity as a member of Blair VI and Blair VII UGP, William Blair receives a portion of the Management Fee and carried interest received by Blair VI and Blair VII.

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

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of the Advisers' Principals and employees and addresses conflicts that arise from personal trading. The Code requires the Advisers' 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 client or prospective client upon request to Corey Dossett, CGP's Chief Compliance Officer, at (312) 698-6300. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client-eligible investments.

The Advisers and their 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, the Advisers and their 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 the Advisers. Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers 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 CGP personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Partnerships.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in 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 a Partnership. The Partnerships and other Funds may invest together with other Funds advised by an affiliated adviser of the General Partner in the manner set forth in the applicable Partnership Agreement. The Advisers will determine allocation of investment opportunities in a manner that they believe is fair and equitable to their clients consistent with the Advisers' fiduciary obligations and consistent with the applicable Funds' underlying documents.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Partnerships, and may give advice and recommend securities to other accounts or certain Partnerships or vehicles which may differ from advice given to, or securities recommended or bought for, other Partnerships or vehicles, even though their investment objectives may be the same or similar.

With respect to CGP Fund I and CGP Fund II, from time to time, the applicable General Partner may borrow funds on behalf of the relevant Partnership and contribute such borrowed amounts to the Partnership as a special capital contribution for investment, to be returned to the applicable General Partner at a later date. Interest in connection with such borrowing is borne by the Partnership as the Partnership expense, consistent with the Partnership Agreement and the expense policy described under "Fees and Compensation." In borrowing on behalf of the Partnership, the applicable General Partner is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Partnership. The applicable General Partner will effect such borrowings in a manner it believes to be fair and equitable to the relevant Partnership and consistent with such General Partner's obligations to the Partnership and the Partnership Agreement.

The Advisers or their affiliates may recommend the purchase or sale of securities for Funds in which one or more of their partners, members, officers, directors, employees (and members of their families) or affiliates ("**affiliated persons**"), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent

with the advice given to the Funds. Certain of these transactions may require the consent of the applicable Fund.

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions, to the extent that an Adviser does so, it follows the brokerage practices described below.

If the Advisers purchase or sell publicly traded securities for a Fund, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers 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; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have 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 the Advisers generally seek 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 the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since their inception. To the extent that the Advisers allocate brokerage business on the basis of research services, they may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on the Fund’s interest in receiving most favorable execution.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage 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 Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, the Advisers 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 the Advisers 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. If orders are not batched, it may have the effect of increasing brokerage commissions or other costs.

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 Funds.

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 Funds over time.

### **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, the Advisers closely monitor companies in which the Funds invest, and the CGP Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

The Partnerships will provide to their 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 limited partner's tax returns, and (iv) descriptive investment information for each portfolio company annually.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisers and/or affiliates may provide certain business or consulting services to companies in the Partnerships' portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Partnership's Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Partnerships. However, in other cases, these fees would be in addition to Management Fees. See "Fees and Compensation."

The Advisers have entered into solicitation arrangements with E.L.K. Capital Advisors and Cygnus Capital Partners Ltd. (the "**Placement Agents**"), pursuant to which the Advisers compensated the Placement Agents for referrals that resulted in a potential investor becoming a limited partner in CGP Fund I or CGP Fund II. Any fees and expenses payable to any Placement Agent or any other placement agent engaged by an Adviser will be borne by such Adviser either directly or indirectly through an offset against the Management Fee. From time to time, the Management Company or its affiliates may engage other placement agents to solicit investments from potential investors in the Funds.

## CUSTODY

The Advisers maintain custody of the Partnerships' assets with the following qualified custodians:

- Merrill Lynch, located at 600 California Street, San Francisco, CA 94108; and
- Silicon Valley Bank, located at 230 W Monroe St # 720, Chicago, IL 60606.

## INVESTMENT DISCRETION

The Advisers have discretionary authority to manage investments on behalf of the applicable Partnership. As a general policy, the Advisers do not allow limited partners to place limitations on this authority, provided that the Partnership Agreement of a Partnership may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the Partnership Agreement, however, an Adviser may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the Partnership 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. The Advisers assume this discretionary authority pursuant to the terms of (i) the Partnership Agreement and (ii) powers of attorney executed by the limited partners of each Partnership.

## VOTING CLIENT SECURITIES

The Advisers have adopted a Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for the Partnerships' portfolio investments. The majority of "proxies" received by the Advisers will be written shareholder consents (or similar instruments) for private companies, although the Advisers may also receive traditional proxies from public companies from time to time. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Partnerships, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Partnerships' investors through the principals' beneficial ownership interests in the Partnerships 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 the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of a Limited Partners' Committee, on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by CGP personnel or the Advisers' 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 the Advisers when voting proxies on behalf of the Partnerships. If you would like a copy of the CGP's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Corey Dossett, CGP's Chief Compliance Officer, at (312) 698-6300, and it will be provided to you at no charge.

## **FINANCIAL INFORMATION**

Neither the Management Company nor any of the other Advisers requires prepayment of management fees more than six months in advance or has any other events requiring disclosure under this item of the Brochure.