

Corporate Partners LLC

Firm Brochure

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This brochure provides information about the qualifications and business practices of Corporate Partners LLC (“CP”). If you have any questions about the contents of this brochure, please contact David Boemo at (212) 632-6386. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registering as an investment advisor does not imply a certain level of skill or training.

Additional information about CP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This section provides a summary of the material amendments made to this disclosure brochure since its March 25, 2013 version.

The “Advisory Business” section was amended to reflect the departure of Paul Zepf who was formerly a Managing Principal of CP and one-third owner of CP’s parent company, CPXR, LLC.

The “Fees and Compensation” section was amended to disclose that principals of CP may receive compensation for the sale of securities to CP’s clients, as registered representatives and principals of an affiliated broker-dealer, from its affiliate’s investment banking activities, and to disclose the conflicts of interest related to the receipt of such compensation.

The “Other Financial Industry Activities and Affiliations” section was amended to disclose that CP’s affiliate, Corporate Partners Advisors LLC, became a registered broker-dealer on June 30, 2014 in order to engage in investment banking activities. Furthermore, disclosure was added to reflect that such investment banking services may be offered to Portfolio Companies of CP’s private fund clients and that conflicts of interest may arise in such situations. Finally, additional disclosure was added to clarify that conflicts of interests may also arise in situations where CP or its affiliates receive compensation from Portfolio Companies relating to the purchase, monitoring or disposition of Portfolio Investments.

Finally, the “Client Referrals and Other Compensation” section was amended to disclose that CP has entered into an investment banking services agreement with Lazard Freres & Co. LLC to assist CP’s current and future private fund clients in raising capital and/or to assist their investors in selling or transferring their ownership interests.

Other amendments were made to this brochure, which are not discussed in this summary, and consequently, we encourage you to read the disclosure brochure in its entirety.

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Item 4 Advisory Business

CP is an independent private equity firm formed under the laws of the state of Delaware as a limited liability company in 2004. CP is 100% owned by CPXR, LLC, which is 100% owned by its Managing Members: Jonathan Kagan (CRD No. 1632109) and Ali Wambold (CRD No. 822396), each of whom is also a Managing Principal of CP. The Managing Principals each bring decades of investment expertise and experience to CP and its affiliates. CP is the successor to the North American Private Equity business of Lazard Alternative Investments LLC (“LAI”) and became an independent advisory firm via management acquisition in 2009.

CP serves as an investment manager and provides discretionary advisory services to related investment vehicles including private investment partnerships (hereafter “private funds”). Currently, this includes Corporate Partners II Limited (“CP II”), a Cayman Islands exempted company, and Corporate Partners II AIV LP (“AIV”), an alternative investment vehicle to CP II, (collectively, the “CP II Fund”). In providing investment advisory services to the private funds that are CP’s clients, CP formulates the investment objectives, directs and manages the investment and reinvestment of assets, and provides periodic reports to its clients’ investors on behalf of its clients. Investment advice is provided only to the private funds that are CP’s clients and not individually to the investors of CP’s clients. Client assets are managed in accordance with the terms of each client’s Shareholders Agreement and/or other governing documents.

CP seeks to make direct private equity investments (“Portfolio Investments”) ranging from \$15 to \$110 million in mid-sized companies (“Portfolio Companies”) on behalf of its clients. CP generally recommends that clients take significant minority stakes in Portfolio Companies, which oftentimes results in them being the largest shareholder. Companies recommended to clients

typically have established business models that do not require high financial leverage and CP generally seeks to enhance the value of its clients' Portfolio Investments by primarily recommending investment opportunities where client funds will be used to finance important corporate development initiatives and by introducing longer-term, sophisticated shareholder capital and perspective.

In addition to CP's investment advisory services, CP also provides Director and/or Monitoring Services to Portfolio Companies upon request. Please see Item 14 "Client Referrals and Other Compensation" for additional information regarding these services.

Mr. Wambold co-founded and managed Lazard's first institutional private equity fund, Corporate Partners, L.P. (the "CP I Fund"), which launched in 1988 with \$1.65 billion in committed capital. Mr. Wambold was subsequently joined by Mr. Kagan (from Lazard Corporate Finance) in 1990, and they served as two of the three Managing Directors of LAI. Mr. Wambold later became CEO of LAI in 1999 and Mr. Kagan became a co-lead of LAI's North American Private Equity business in 2001. The CP II Fund was launched in 2005 with \$1.1 billion in committed capital and made its first investment in 2006.

As of December 31, 2013, CP managed \$432,426,848 of investments and undrawn commitments on behalf of the CP II Fund.

Item 5 Fees and Compensation

Management Fees

CP receives management fees, which are payable quarterly in advance and are generally calculated as 1.5% of each client's actively invested capital (the cost basis of all Portfolio Investments that have not been disposed of). CP's management fees are not negotiable and are directly deducted from clients' custodial accounts.

In the event a client terminates its operations or terminates its advisory agreement with CP prior to the end of a quarter, CP will refund the client for any unearned management fees deducted from the client's custodial account. The amount of the refund will be calculated by dividing the most recent management fee by the number of days in the quarter and multiplying that figure by the number of days left in the quarter following the date of termination.

Carried Interest Allocations

Carried interest is a share of the net profits realized on the disposition of investments that is paid to clients' carried interest shareholders. All of CP's current clients are subject to a carried interest of 20% of profits on distributions derived from the disposition of investments or securities after a preferred return of 9% per annum. Corporate Partners II Holdings LLC ("CP Holdings"), an affiliated entity of CP, is the carried interest shareholder of all of CP's current clients.

Directors and Monitoring Fees

CP receives both directors and monitoring fees directly from certain Portfolio Companies, which are payable either quarterly or monthly in advance. All fees for such services are negotiated on a

case-by-case basis with each Portfolio Company. Please see Item 14 “Client Referrals and Other Compensation” for additional information regarding these services.

Other Fees

CP’s clients are also responsible for paying for all expenses related to their operations, including fees, costs and expenses directly related to the purchase and sale of securities, expenses of counsel, accountants and other consultants and professionals, any insurance, indemnity or litigation expense or the costs and expenses of any lenders, investment banks and other financing sources and any taxes, fees or other governmental charges, and any such costs incurred in connection with transactions which are not consummated. Out-of-pocket expenses associated with completed transactions will be reimbursed by Portfolio Companies or capitalized as part of the acquisition price of the transaction.

Other Compensation

Messrs. Wambold and Kagan as well as Michael Wildish (CRD No. 1670927), who is also a principal of CP, are registered representatives and principals of an affiliated broker-dealer, Corporate Partners Advisors LLC (“CPA”, CRD No. 168356, SEC File No. 8-69303). CPA primarily engages in investment banking activities, including advising on or facilitating private placement debt or equity security offerings as well as mergers and acquisitions. CP’s clients may be solicited to take part in debt or equity security offerings facilitated by CPA and CPA may receive transaction-based compensation related to the sale such securities that is separate from any management fees, carried interest allocations, and/or directors and monitoring fees received by CP. Consequently, CP and its principals may have an incentive to recommend such securities to CP’s clients based on the compensation received, rather than the needs of the client. To address these risks, CP requires that its principals comply with its Code of Ethics when engaging in any activity that may give rise to a potential conflict of interest with CP’s clients and seeks to provide full and fair disclosure of all material facts, including conflicts of interest, to clients. Furthermore, CP’s principals are aware of CP’s fiduciary obligations to its private fund clients and endeavor to always put the interests of CP’s advisory clients first.

Item 6 Performance Based Fees and Side-by-Side Management

An affiliated entity of CP, CP Holdings, receives a portion of each client’s carried interest allocation, which is 20% of profits on distributions derived from the disposition of investments or securities after a preferred return of 9% per annum. CP Holdings’ receipt of carried interest may create an incentive for CP to recommend more speculative investments and make different decisions regarding the timing and manner of the realization of such investments, than may be the case if such carried interest were not allocated to CP Holdings.

Item 7 Types of Clients

CP provides discretionary investment advisory services to private funds that qualify for exemption from the registration requirements of the Securities Act of 1933 (the “Securities Act”) under Regulation D and exemption from the investment company registration requirements in reliance on either Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940 (the “Investment Company Act”). CP does not impose any minimum requirements on private fund clients for

opening or maintaining an account, however, CP's private fund clients may impose certain minimum suitability requirements on their investors, such as being an "accredited investor" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and being a "qualified purchaser" as set forth in Section 3(c)(7) of the Investment Company Act, among others.

The CP II Fund may enter into letter agreements or other similar arrangements (collectively, "Side Letters") with one or more of its shareholders that have the effect of establishing rights under, or altering or supplementing the terms of the CP II Fund's Shareholders Agreement or any subscription agreement of the CP II Fund. As a result of such Side Letters, CP may be required to assist the CP II Fund in providing additional benefits to certain shareholders that other shareholders will not receive, which may create a potential conflict of interest for CP.

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

CP leverages its Managing Principals' decades of private equity investing experience and diverse backgrounds (private equity, restructuring, turnarounds, alternative investment strategies, investment banking, corporate finance and strategic advice) in order to source and convert enhanced equity investments. The specific sectors that CP targets include, but are not limited to, financial services, power and energy, technology, media and telecommunications, consumer, general industrial and business services, and healthcare.

CP seeks to generate significant capital appreciation by making private investments principally in equity or equity-oriented securities (including preferred stock and debt securities purchased in connection with equity investments or which offer equity-like returns) of Portfolio Companies. In selecting Portfolio Companies, CP targets middle-market companies with enterprise values typically ranging from \$50 to \$500 million with established business models that do not require high financial leverage, where CP believes new capital will create a step change in value. CP takes an active role in advising the management teams of Portfolio Companies, including taking positions on Boards and Board Committees.

Typical investments in Portfolio Companies range from \$15 million to \$110 million. CP may utilize a broad range of negotiated transaction structures and terms including security structures that provide for downside protection with opportunity for upside returns (e.g., conversion feature, reset/ratchet, rank, yield, other rights and protections), governance arrangements that provide for influence through board/committee representation and contractual rights, and exit/liquidity rights (e.g., redemption/maturity, put, drag-along/forced sale, registration rights, etc.).

All new investments must be approved by the CP II Investment Committee, which is comprised of CP's Managing Principals and two individuals designated by one of the CP II Fund's investors. CP's investment decision-making process generally includes informal, collaborative discussions on an ongoing basis and a formal approval process by the CP II Investment Committee for each new investment. The subsequent Portfolio Company monitoring processes, which are designed to ensure the timely and successful execution of each investment's business plan, involve periodic reviews of valuation parameters, investment performance, and disposition opportunities.

All investing involves a risk of loss that CP's clients and their investors should be prepared to bear. The investment strategy offered by CP could lose money over short or even long periods of time and the investments recommended by CP are speculative in nature. There is no guarantee that the investment strategy or the investments recommended by CP, individually or in aggregate, will achieve clients' investment objectives. *Risks and potential conflicts of interest related to CP's investment strategy include, but are not limited to, the following:*

- **Realization of Gains.** The current fair market value of Portfolio Investments may be based on unrealized gains and/or losses. The actual realized proceeds from the sale of Portfolio Investments will depend on each Portfolio Company's future operating results, the value of the assets, market conditions at the time of any realization, the amount of any related transaction costs, and the timing and manner of realization. There can be no assurance that investment returns realized from the sale of Portfolio Investments will equal their current or former fair market valuations.
- **No Assurance of Investment Return.** There is no assurance that CP will be able to make investments in any particular company, generate positive returns for clients, generate returns for clients commensurate with the risks associated with the investments recommended by CP, and/or generate returns that meet or exceed clients' targeted returns or expectations.
- **Reliance on the Managing Principals.** CP relies extensively on the availability and experience of its Managing Principals. The loss of the services of one or more of CP's Managing Principals could have an adverse impact on the management of client accounts, including CP's ability to identify and properly analyze companies for investment and CP's ability to realize its clients' investment objectives.
- **Other Activities.** CP's Managing Principals and other employees of CP may engage in activities, financial or otherwise, other than the provision of investment advisory services to clients. While CP's Managing Principals and other employees are expected to devote, in good faith, sufficient time to CP to ensure the proper performance of their duties, those individuals may devote varying amounts of their time to matters unrelated to CP's business. These additional activities may pose conflicts in the allocation of management resources, including the time and attention of the Managing Principals. Furthermore, such additional activities may preclude CP and/or its clients from engaging in certain transactions that would be suitable for clients.
- **Regulatory Considerations.** Government regulations can have a dramatic adverse effect on industries and on the ability of an entity to provide specific services, which could impact CP and/or the Portfolio Companies invested in by clients. Some regulations could also prevent CP from recommending or making certain investments for clients that it might otherwise desire to make.
- **Unspecified Investments.** CP may be unable to find a sufficient number of attractive opportunities to meet its clients' investment objectives.
- **Risks in Effecting Operating Improvements.** The success of CP's investment strategy is oftentimes dependent on CP's ability to improve the financial performance of Portfolio Companies by working with their boards of directors and management teams. Identifying and implementing potential operating improvements at Portfolio Companies is difficult and entails a high degree of uncertainty. There can be no assurance that CP will be able to

successfully identify and implement such improvements or that such improvements, if made, will result in improved financial performance.

- **Investments in Corporate Divestitures.** CP may recommend investments in the securities of companies that have been formed through divestitures from larger corporations. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. Companies that are divested from larger corporations have no experience operating as separate, standalone entities and may not have accounting, human resources or other systems in place to support their operations. Such companies may also require extensive restructuring, new management expertise and a significant commitment of financial and managerial resources.
- **Assumption of Contingent Liabilities.** CP may recommend investments in companies that are subject to contingent liabilities or investments that require that clients assume contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations or environmental actions, among other things. To the extent these liabilities are realized, they may materially adversely affect the value of the Portfolio Company or clients' investments in the Portfolio Company.
- **Investments in Turnaround Situations.** CP may recommend investments in Portfolio Companies that are experiencing or are expected to experience financial difficulties, including companies that are producing net losses or have negative operating EBITDA. There can be no assurance that such companies' financial difficulties will be overcome. In addition, such investments could subject clients to certain additional potential liabilities.
- **Reliance on Portfolio Company Management Teams.** Each Portfolio Company's day-to-day operations will be the responsibility of such company's management team. Although CP will be responsible for monitoring the performance of each investment, there can be no assurance that the existing management team, or any successor, will be able to operate the Portfolio Company successfully or implement any operational improvements.
- **Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing an investment in, and successfully disposing of Portfolio Companies is highly competitive and involves a high degree of uncertainty. CP may encounter competition from other entities having similar investment objectives, which may have more relevant experience, greater financial resources and more personnel than CP and its affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to CP's clients and adversely affecting the terms upon which investments can be made. There can be no assurance that CP will be able to identify or invest in Portfolio Companies that satisfy its clients' investment criteria or achieve their return objectives.
- **Lack of Diversification.** Client portfolios may be highly undiversified. As a consequence, the aggregate returns of CP's clients may be substantially adversely affected by the unfavorable performance of any single Portfolio Company.
- **Leverage.** CP may recommend investments in companies whose capital structures have significant leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk than investments in non-leveraged companies. The amount of leverage employed by Portfolio Companies may directly and/or indirectly affect the profitability or survivability of those Portfolio Companies. Moreover, rising interest rates may significantly increase Portfolio

Companies' interest expense, causing losses and/or an inability to service debt levels. If a Portfolio Company cannot generate adequate cash flow to meet its debt obligations, clients may suffer a partial or total loss of their capital invested in the Portfolio Company.

- **Non-U.S. Investments.** Non-U.S. investments involve certain factors not typically associated with U.S. investments, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which clients' foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign markets, including differences in rules and regulations, potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) economic, social and political conditions, including foreign exchange control regulations, restrictions on foreign investment and repatriation of capital, the possibility of expropriation or confiscatory taxation, and political, economic or social instability; (iv) the possible imposition of foreign taxes on income and gains recognized with respect to such securities; and (v) less developed corporate laws regarding fiduciary duties and the protection of investors.
- **Investments with Third Parties.** CP may recommend that clients co-invest with third parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests in certain Portfolio Companies. As a result, clients may have a limited ability to protect their position therein and such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third-party co-investor may have financial difficulties that negatively impact the nature and value of such investment. Furthermore clients' ability to exit the investment may be limited or eliminated, and third-party co-investors may have economic or business interests or goals which are inconsistent with those of clients and may be in a position to take action contrary to the best interests of CP's clients. In addition, clients may, in certain circumstances, be liable for the actions of third-party co-investors.
- **Minority Investments.** In those situations where CP recommends minority investment positions in Portfolio Companies and where CP has limited rights or abilities to exert significant influence, clients will be significantly reliant on the Portfolio Company's existing management and board of directors, which may include representatives of other unaffiliated investors whose interests may conflict with the interests of CP's clients. While CP generally expects that appropriate minority shareholder rights will be obtained to protect clients' interests to the extent possible, there can be no assurance that such minority shareholder rights will be available or that such rights will provide sufficient protection.
- **Illiquid and Long-Term Investments.** Many of the investments recommended by CP will be highly illiquid. There can be no assurance that CP will be able to monetize such investments in a timely manner, or at all, and dispositions of such investments may require a lengthy time period. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the investment is made. In some cases, CP may be restricted by law or by contract in its ability to sell clients' securities and even if it is not restricted by law or by contract, any attempt by CP to sell all or a portion of such securities may cause the market to materially devalue such securities because of the size or nature of the position held by CP's clients.

- **Contingent Liabilities upon Disposition.** In connection with the disposition of an investment, clients may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business or assets and may be responsible for the content of disclosure documents under applicable securities laws. Clients may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which will be borne by clients.
- **Hedging Policies/Risks.** In connection with the acquisition, holding, financing, refinancing or disposition of certain investments, CP may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices or currency exchange rates. The costs of such hedging techniques will be borne by clients. While hedging transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while clients may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in poorer overall performance for clients than if they had not entered into hedging transactions.
- **Provision of Managerial Assistance.** CP will typically designate, on behalf of its clients, one or more directors to serve on the board of directors of each Portfolio Company as to which the client obtains such rights. The designation of directors could expose client assets to claims by a Portfolio Company, its security holders and its creditors, as well as other persons who have a claim against the Portfolio Company.
- **Material, Non-Public Information.** As a result of CP's provision of investment advisory services, CP and/or its supervised persons may acquire confidential or material, non-public information. While in the possession of material, non-public information, CP and its clients may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Item 9 Disciplinary Information

Neither CP nor any of its management persons have been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of CP's advisory business or the integrity of its management.

Item 10 Other Financial Industry Activities and Affiliations

Employees of CP may serve as directors and officers of certain Portfolio Companies and, in that capacity, will be required to make decisions that consider the best interests of such Portfolio Companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a Portfolio Company, actions that may be in the best interests of the Portfolio Company may not be in the best interests of clients, and vice versa. Accordingly, in those situations, there will be conflicts of interest between such individual's duties to CP on behalf of its clients and such individual's duties as a director or officer of such Portfolio Company. Should any such occurrence arise, CP will provide written disclosure of the conflict of interest to the investors of its clients and full and fair disclosure of all material facts relating to such conflict of interest.

As noted above, CP and/or its affiliates may also receive fees from Portfolio Companies for various services rendered and the receipt of such compensation may create a conflict of interest or the appearance of a conflict of interest. Please see Item 14 “Client Referrals and Other Compensation” for information regarding these services, the potential conflicts of interest they may generate and how CP addresses these conflicts.

On June 30, 2014, Corporate Partners Advisors LLC (“CPA”), an entity under common control with CP became registered as a broker-dealer. As noted above, Messrs. Wambold, Kagan and Wildish are registered representatives and principals of CPA. CPA primarily engages in investment banking activities, including advising on or facilitating private placement debt or equity security offerings as well as mergers and acquisitions. CPA may provide such investment banking services to Portfolio Companies and in the course of doing so, conflicts of interest may arise between the interests of CPA and/or CP’s principals and the interests of its private fund clients as CPA may be engaged to assist Portfolio Companies in taking actions that may not be in CP’s clients’ best interests, including, but not limited to negatively effecting clients’ short-term or long-term interests in the Portfolio Company, extending exit time horizons, and reducing voting power. CP places a high priority on its fiduciary duty as an investment adviser and recognizes the potential conflicts of interest that may arise as a result of these outside activities. To address these risks, CP requires that its principals comply with its Code of Ethics when engaging in any activity that may give rise to a potential conflict of interest with CP’s clients and seeks to provide full and fair disclosure of all material facts, including conflicts of interest, to clients. Furthermore, CP’s principals are aware of CP’s fiduciary obligations to its private fund clients and endeavor to always put the interests of CP’s advisory clients first.

Messrs. Wambold, Kagan, and Wildish are also currently registered representatives of Groton Securities LLC (CRD No. 126600), an unaffiliated broker-dealer. As of July 15, 2014, Messrs. Wambold, Kagan, and Wildish have ceased conducting any business through Groton Securities LLC and have subsequently submitted requests to terminate their status as registered representatives and principals of Groton Securities LLC.

CP and/or its Managing Principals and/or its employees have investments of varying amounts in Co-Investment Vehicles that were organized for the purpose of investing alongside the CP II Fund in Portfolio Investments as part of the capital commitments made by the CP II Fund to Portfolio Companies. Consequently, potential conflicts may arise between the interests of CP and/or its Managing Principals and/or its employees and the interests of the CP II Fund when making portfolio recommendations or decisions relating to such Portfolio Investments. The existence of these Co-Investment Vehicles and their ability to invest in transactions with the CP II Fund, however, is discussed in the CP II Fund’s Shareholders Agreement.

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

CP has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 that is predicated on the principal that CP owes a fiduciary duty to its clients. Accordingly,

employees of CP must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of CP's clients.

CP's employees that are access persons must obtain written pre-clearance for all transactions involving initial public offerings and private placements. CP may disapprove any proposed transaction, particularly if the transaction appears to pose a conflict of interest or otherwise appears improper. CP's Code of Ethics also requires that its access persons submit current and accurate records of all of their personal securities accounts' holdings and transactions. A copy of CP's Code of Ethics is available to any client or prospective client upon request.

CP and/or its related persons, through co-investment vehicles, invest or have invested in the same Portfolio Companies as clients at or about the same time that clients make their investments. Such investments are generally mandated by the shareholders agreement or other governing documents of CP's clients, which require that CP and/or its related persons commit a certain percentage or amount of the capital commitments made by CP's clients to Portfolio Companies. Although such co-investments may create a conflict of interest between CP and its clients, such investments are designed to align CP's interests with those of its clients.

Item 12 Brokerage Practices

CP focuses on making investments in private securities, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily paid in connection with such investments. If CP were to transact in public securities it will select brokers or dealers based upon their ability to provide best execution based on factors such as their ability to effect prompt and reliable executions at favorable prices; their operational efficiency; their financial strength, integrity, and stability; and the commission rate charged.

CP does not participate in any formal soft dollar arrangements, but may receive research that is generally available to other institutional investors from broker-dealers. CP, however, does not direct any trading activity to such brokers or dealers. Research received from brokers and dealers are supplemental to CP's own research efforts. Outside of routinely available research, CP's policy is to bear the cost of research it receives and does not direct trading activity in lieu of payments for research or other services.

Item 13 Review of Accounts

CP focuses on making private equity investments. All investments are reviewed and approved by the CP II Investment Committee. CP's investment professionals review each Portfolio Investment on a regular basis and meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

CP provides the investors of its private fund clients with quarterly reports and capital account statements, capital call/distribution notices, and periodic press releases. The investors of CP's private fund clients also receive annual audited financial statements.

Item 14 Client Referrals and Other Compensation

CP has entered into an investment banking services agreement with Lazard Freres & Co. LLC (“LFC”, CRD No. 2528) pursuant to which LFC has agreed to, on a best efforts basis, 1) assist existing investors in selling or transferring their ownership interests in the CP II Fund and 2) solicit investors in order to assist CP in raising additional capital for investment by the CP II Fund or for other private fund clients of CP. For its services, LFC is entitled to receive a percentage of the aggregate gross proceeds or aggregate principal amount of securities or other equity interests issued by a private fund client of CP as a result of their efforts, as applicable. LFC’s parent company, Lazard Group LLC, and/or its direct or indirect subsidiaries are investors in the CP II Fund. Consequently, LFC may have a potential conflict of interest when performing some or all of its obligations under its investment banking services agreement with CP as LFC and/or its affiliates may directly or indirectly receive benefits relating to their investment as a result of LFC’s performance of its responsibilities under the agreement.

As noted above, CP’s Managing Principals and employees may serve as directors and/or officers of certain Portfolio Companies as a condition or result of a client’s investment in a Portfolio Company. CP and/or its affiliates may also receive fees from those Portfolio Companies in connection with the purchase, monitoring, or disposition of such investments or in connection with unconsummated transactions (e.g., transaction, director’s, break-up, and monitoring fees). The receipt of such compensation from Portfolio Companies creates potential conflicts of interest between CP and its clients as it may create an incentive for CP to recommend transactions that are not in the best interests of CP’s clients or not recommend certain transactions that are in the best interests of CP’s clients in order continue receiving such compensation. As noted previously, CP places a high priority on its fiduciary duty as an investment adviser and recognizes the potential conflicts of interest that may arise as a result of these outside activities. CP requires that its principals comply with its Code of Ethics when engaging in any activity that may give rise to a potential conflict of interest with CP’s clients and seeks to provide full and fair disclosure of all material facts to clients. In light of CP’s fiduciary obligations to clients, CP’s principals endeavor to always put the interests of CP’s advisory clients first.

Item 15 Custody

All client assets are either held in custody by unaffiliated broker/dealers or banks or are uncertificated securities obtained from an issuer in a private transaction. As a result of CP’s Managing Principals’ service on or control of its clients’ Boards of Directors or General Partners, CP is deemed to have custody of its clients’ funds and/or securities. CP’s private fund clients are subject to annual audits and audited financial statements that are prepared in accordance with generally accepted accounting principles and are distributed within 90 days of each client’s fiscal year end to each of their investors.

Item 16 Investment Discretion

CP generally has the discretionary authority to determine, without obtaining specific client consent, the securities and amount of securities to be bought or sold. Any limitations on CP’s discretionary authority must be delineated in the client’s offering documents, shareholders agreement, investment advisory agreement with CP, or other governing documents.

Item 17 Voting Client Securities

CP does not vote clients' securities. However, proxy voting authority generally rests with each client's Board of Directors or General Partner, which, in most cases, consists of or is controlled by CP's Managing Principals. Consequently, CP may be deemed to have proxy voting authority indirectly through its Managing Principals. Should CP and/or its Managing Principals, directly or indirectly, receive a proxy, CP will vote in the interest of maximizing shareholder value, which means causing the value of the issuer to increase the most or decline the least. Consideration is given to both the short and long term implications of the proposal to be voted on when considering the optimal vote. Should a material conflict of interest arise between the interests of CP and those of its private fund clients when voting a client security, CP will provide written disclosure of the conflict of interest and any material facts to the investors of its clients and give them an opportunity to comment. CP will then factor any such comments it receives in determining the best way to vote to maximize shareholder value. CP's proxy voting policies and procedures as well as its voting record is available to any client, prospective client and investor of one of CP's clients upon written request to CP.

Item 18 Financial Information

CP has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to manage client accounts.