

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

**Comvest Advisors, LLC**

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March 28, 2012**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Comvest Advisors, LLC (“Comvest”). If you have any questions about the contents of this Brochure, please contact us at (561) 727-2000. 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.**

Comvest 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 Comvest is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**TABLE OF CONTENTS**

Comvest Advisors, LLC Brochure..... 1

Section 1. Advisory Business..... 1

Section 2. Fees and Compensation ..... 2

Section 3. Performance-Based Fees and Side-By-Side Management..... 5

Section 4. Types of Clients ..... 5

Section 5. Methods of Analysis, Investment Strategies and Risk of Loss ..... 5

Section 6. Disciplinary Information..... 13

Section 7. Other Financial Industry Activities and Affiliations..... 13

Section 8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..... 14

Section 9. Brokerage Practices..... 15

Section 10. Review of Accounts..... 17

Section 11. Client Referrals and Other Compensation ..... 17

Section 12. Custody ..... 17

Section 13. Investment Discretion..... 18

Section 14. Voting Client Securities ..... 18

Section 15. Financial Information ..... 19

## Comvest Advisors, LLC Brochure

### Section 1. Advisory Business

Comvest, the registered investment adviser, is a Delaware limited liability company. Comvest and its affiliated investment advisers provide “investment supervisory services” to their clients, which consist primarily of private investment funds. Comvest and its affiliates and predecessor entities have been in business since 2000. Comvest is controlled by its member, Comvest Group Holdings, LLC (“**Comvest Group Holdings**”), which is ultimately owned and controlled by Michael Falk and Peter Kight.

The following are certain of the affiliated advisers of Comvest:

#### *General Partners*

- Comvest II Partners, LLC
- Comvest III Partners, LLC
- Comvest IV Partners, L.P.
- Comvest Capital Management, LLC
- Comvest Capital II Partners, L.P.

#### *Management Company*

- Comvest Capital Advisors (SMA Manager), LLC (the “**SMA Manager**”)

Each General Partner and the SMA Manager is registered under the Advisers Act pursuant to Comvest’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner and the SMA Manager, which operate as a single advisory business together with Comvest. Comvest, the General Partners and the SMA Manager are together referred to herein as the “**Managers**.” The General Partners and the SMA Manager have the authority to make the investment decisions for the Funds to which they provide advisory services. Comvest provides the day-to-day advisory services for the Funds.

The Managers’ clients include the following (collectively the “**Funds**,” and together with any future private investment fund, vehicle or account to which Comvest or its affiliates provide investment advisory services, “**Private Investment Funds**”):

#### *Control Strategy Funds*

- “**Comvest II**,” consisting of Comvest Investment Partners II, LLC and Comvest Investment Partners II, Ltd.
- “**Comvest III**,” consisting of Comvest Investment Partners III, L.P. and Comvest Investment Partners II, Ltd.
- “**Comvest IV**,” consisting of Comvest Investment Partners IV, L.P., Comvest Investment Partners IV-A, L.P., and CIP IV Co-Invest, L.P.

- CIP IV Florida Fund, L.P. (“**Comvest Florida**”)

#### *Lending Strategy Funds*

- “**Comvest Capital I**,” consisting of Comvest Capital, LLC and Comvest Capital SPV, Ltd.
- “**Comvest Capital II**,” consisting of Comvest Capital II, L.P., Comvest Capital II International (Cayman), L.P., Comvest Capital II International, L.P. and two separately managed accounts.

The Funds and any other Private Investment Funds invest through negotiated transactions in operating entities. The Managers’ investment advisory services to the Funds 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 (any such non-public or public companies, “**portfolio companies**”). From time to time, the senior principals or other personnel of the Managers or their affiliates (the “**Principals**”) may serve on a portfolio company’s board of directors or otherwise act to influence control or management of portfolio companies held by the Funds.

The Managers’ advisory services for the Private Investment Funds are further described in the applicable private placement memoranda (each, a “**Memorandum**”) and limited partnership agreement, articles of association or operating agreement (each, a “**Partnership Agreement**,” and together with the applicable Memorandum, the “**Governing Documents**”), as well as below under “Methods of Analysis, Investment Strategies and Risk of Loss” and “Investment Discretion.” Investors in Private Investment Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints.

The relationship between the General Partner and each Fund’s limited partners or members, as applicable (collectively, “**Investors**”), is governed by detailed provisions contained in each Fund’s Partnership Agreement. The provisions of the Partnership Agreements are relatively detailed and are often the subject of detailed negotiations between the General Partner and individual fund Investors. Information contained in this Brochure regarding the terms of any Partnership Agreement is a summary only and subject to the specific terms of the relevant Partnership Agreement.

As of December 31, 2011, Comvest managed approximately \$1,222,342,000 in client assets on a discretionary basis.

## **Section 2. Fees and Compensation**

With respect to the Funds, Comvest or the SMA Manager, as applicable, is entitled to receive a management fee (the “**Management Fee**”) and the relevant General Partner is entitled to receive a performance-based carried interest in connection with advisory services. The Managers or their affiliates may receive additional compensation in connection with management and other services performed for certain portfolio companies and such additional compensation will offset in whole or in part the Management Fees otherwise payable to the applicable Manager. Investors in the Funds also bear certain fund expenses. The Management Fees paid with respect to certain Funds are listed below and are further described in this section:

<b>Fund</b>	<b>Fee During Investment Period</b>	<b>Fee After Investment Period</b>
Comvest II	Annual fee equal to approximately 2.46% of committed capital, paid quarterly in advance	Annual fee equal to 2% of the value of portfolio investments, paid quarterly in advance
Comvest III	Annual fee equal to 2% of committed capital, paid quarterly in advance	Annual fee equal to 1.75% of remaining invested capital paid quarterly in advance
Comvest IV	Annual fee equal to 2% of non-affiliated committed capital paid on Jan 5 and July 5 for the six month periods beginning January 1 and July 1 of each year	Annual fee equal to 1.75% of non-affiliated remaining invested capital, payable quarterly in advance
Comvest Capital II	Annual fee as a percentage of committed capital equal to 2% for committed capital less than \$10 million, 1.75% for capital commitments (“ <b>Commitments</b> ”) of at least \$10 million but less than \$20 million, and 1.5% for committed capital of at least \$20 million, paid on Jan 5 and July 5 for the six month periods beginning January 1 and July 1 of each year	Annual fee at the same rates as during the investment period applied to remaining invested capital, paid on Jan 5 and July 5 for the six month periods beginning January 1 and July 1 of each year
Comvest Florida	Annual fee equal to 2% of non-affiliated committed capital paid on Jan 5 and July 5 for the six month periods beginning January 1 and July 1 of each year	Annual fee equal to 1.75% of non-affiliated remaining invested capital, payable quarterly in advance

The Management Fee for Comvest Capital I is payable monthly in advance, and ranges from 1.5% to 2% of beginning-of-the-month net asset value depending on the original committed capital.

The change in Management Fees at the end of a Fund’s investment period is generally effective on the first payment date after the end of the “investment period,” a term determined in accordance with the relevant Partnership Agreement and generally equal to the lesser of a set number of years or the launching of a successor Fund. In some cases, the relevant Management Fee may be reduced where the term of a Fund is extended pursuant to the Partnership Agreement or where a particular subsequent Fund is formed.

Typically, the Management Fee is reduced by directors’ fees, consulting fees and any transaction fees or certain

other fees paid by portfolio companies to a Manager or its Principals and other personnel, although in some cases such fees may not reduce the Management Fee. Under certain Partnership Agreements, the relevant General Partner waives or agrees to, or may waive or agree to, a reduction of amounts of the Management Fee, and any waived or reduced portion of such Management Fee reduces the amount of capital contributions the General Partner would otherwise be required to contribute to the Fund. Any waived portion of a Management Fee installment may be treated as a deemed capital contribution by the General Partner in respect of the General Partner's Commitment.

The Management Fee generally will be payable until all of a Fund's portfolio investments are distributed or sold, or until the General Partner's relationship with the relevant Fund is terminated for other reasons described in each Fund's Partnership Agreement. In addition, each Fund's General Partner will receive a carried interest from Investors in the relevant Fund(s) equal to 20% (16% with respect to certain Investors in Comvest Capital I) of all realized profits, subject (in the case of Comvest III, Comvest IV, CIP IV Florida Fund, L.P. and Comvest Capital II) to a preferred return, each as more fully described in the relevant Partnership Agreement. The carried interest distributed to a General Partner typically is subject to a potential giveback at the end of the life of the applicable Fund if the General Partner has received excess cumulative distributions.

For certain Funds, the General Partners and/or their affiliates generally may exempt certain persons from payment of all or a portion of Management Fees and/or carried interest, including the General Partner and any other person designated by the General Partner. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by a General Partner and/or its affiliates, or through private investment vehicles that co-invest with the Funds. It is expected that any similar future Private Investment Funds will have a similar fee structure.

The Funds and other Private Investment 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 relevant Partnership Agreement, over the term of the applicable Fund, and Investors generally are not permitted to withdraw or redeem interests in a Fund.

Principals or employees of Comvest may receive a portion of the carried interest or other compensation received by Comvest or its affiliates. Additionally, as described more fully in the Governing Documents of each Private Investment Fund, certain personnel affiliated with Comvest may provide services to (or with respect to) certain portfolio companies in one or more Private Investment Funds may invest. In connection with such services, such personnel may receive transaction fees and/or other compensation from such portfolio companies, and such compensation may not offset the Management Fee.

As described in the relevant Partnership Agreement, a Fund typically will pay all organizational and start-up expenses of the Fund (generally subject to a specified cap), including legal, travel, accounting, filing, capital raising and other organizational expenses. A Fund may bear the amount of investment banking or private placement fee(s) incurred in connection with its organization; however, any such amounts will be offset against the Management Fee by the relevant Manager. In addition to the Management Fee and carried interest payable to the relevant Manager, a Fund will typically bear all other costs and expenses of the Fund that are not reimbursed by portfolio companies, which may include, without limitation: legal, auditing, consulting, financing, accounting and custodial fees and expenses; out-of-pocket expenses incurred in connection with transactions not consummated; expenses of the members of the Fund's advisory board; other expenses

associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Fund. Brokerage fees may be incurred by the applicable Fund in accordance with the practices set forth in Section 9 below.

As described in the relevant Partnership Agreement, a Manager will generally bear the normal and recurring operating and administrative expenses of the Manager, including, but not limited to, compensation of the Manager's professional personnel and fees and expenses for administrative services, office space and facilities.

### **Section 3. Performance-Based Fees and Side-By-Side Management**

As discussed under Section 2 ("Fees and Compensation") above, the relevant General Partner or its affiliates receive a carried interest allocation on certain realized profits in the Funds. A performance-based allocation is an allocation representing an asset manager's compensation based on a percentage of net profits of the fund being managed. Comvest advises a private investment vehicle formed to allow employees of Comvest and its affiliates, as well as certain other persons, to invest in portfolio investments made by Comvest IV. Such private investment vehicle does not charge Management Fees and is not subject to carried interest. However, Comvest does not believe this creates a conflict of interest with respect to the Funds. See Section 5, "Methods of Analysis, Investment Strategies and Risk of Loss," for further discussion of conflicts of interest.

### **Section 4. Types of Clients**

Comvest provides investment advice to Private Investment Funds, which 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 Investors participating in Private Investment 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 Comvest and its affiliates.

The Funds generally have a minimum investment amount in the range of \$1 million to \$5 million for third-party Investors, as set forth in the relevant Memorandum, which minimum investment amount may be waived by the relevant General Partner, but generally will not be less than \$100,000 (or other amounts as specified by local laws and regulations). Interests in the Funds generally are offered and sold solely to qualified purchasers or qualified knowledgeable Comvest personnel.

### **Section 5. Methods of Analysis, Investment Strategies and Risk of Loss**

The Managers oversee funds that invest in two primary strategies, a control-oriented strategy and a lending strategy:

#### **Control Strategy**

With respect to control strategy funds, the Managers' primary strategy includes partnering with proven operating executives; focusing on proactive origination through Comvest's proprietary New Business

Development (“NBD”) platform; targeting distressed and special situation companies, which may include financially distressed over-leveraged companies, operationally challenged entrepreneur-owned businesses and micro-cap public companies; structuring transactions to drive immediate value creation; bringing proven operational competence and oversight to manage the turnaround and recovery; and enhance exit valuations through ongoing involvement and corporate development.

- Focus on Industries where Comvest has Access to Proven Operators. Comvest’s strategy is to target industries in which Comvest has direct expertise or has developed access to operating talent and industry-level intelligence. Historically, the Managers’ industry focus has included healthcare, transportation, information technology and service businesses. Comvest intends to pursue investments in other industries as it expands its base of proven operators.
- Proactive Origination. The Manager expects a significant portion of the Funds’ transactions to be sourced directly through Comvest’s NBD platform, the personnel on its “**Investment Team,**” and network of industry relationships. The NBD platform is an internally-developed, proactive deal origination platform. The Investment Team uses a consistent, process-driven approach to proactively identify, contact and qualify investment opportunities that line up with the operational expertise of the Manager. NBD specializes in sourcing proprietary deals, outside of an auction process, by engaging management teams directly, building a rapport with CEOs and CFOs, and understanding the financial and operating needs of the company’s business.
- Target Distressed and Special Situation Companies. Through the NBD origination platform and concentrated, industry-level operational involvement, Comvest is focused on identifying and targeting distressed and other special situation opportunities. These opportunities have included: (i) over-leveraged companies that are in default with their lenders; (ii) thinly-traded micro-cap public companies with highly leveraged capital structures; and (iii) entrepreneur-owned businesses experiencing liquidity issues due to operational failures or lack of proper controls and oversight. The Managers strive to gain competitive advantage by targeting, analyzing, structure, and closing transactions relatively quickly.
- Structure Investments to Drive Value Creation. The Managers believe that investments that properly strengthen a portfolio company’s financial position can allow the portfolio company to focus on executing its operational strategy. The principal applications of the Managers’ strategy of structuring investments to drive value include: (i) de-leveraging company balance sheets by buying distressed senior debt, often at a significant discount to par, and converting all, or a portion of the face amount, into a control equity position in the company; (ii) working with lenders and other creditors to modify and restructure the company’s liabilities in connection with investing new cash into the company, thereby improving the balance sheet and providing access to growth capital; and (iii) making control investments in thinly-traded micro-cap public companies to restructure liabilities, provide operating capital, and/or when appropriate, taking them private. Distressed, thinly-traded public companies often have limited alternatives for financing.
- Manage Distressed Recoveries Through an Operating Plan. In conjunction with portfolio company management, the Managers develop and implement a comprehensive operating plan



to actively manage the relevant portfolio company's recovery. The operating plan typically includes: (i) evaluation and recruitment of the management team and implementation of oversight structures; (ii) identification of key strategic objectives to drive value creation; (iii) identification and correction of key performance indicators, the ongoing measurement of which enables Comvest to track the company's health; (iv) analysis of the company's capital needs, and, where applicable, active support of the portfolio company's access to capital markets; and (v) corporate development planning, as described in the next paragraph.

- Drive Exits Through Corporate Development. The ultimate objective of each portfolio company operating plan is to move the company in a strategic direction that optimizes enterprise value and prepares the company for the Fund's investment exit. Operating plans can include corporate development strategies, *e.g.*, strategies to: (i) dispose of non-core assets and/or unprofitable business lines; (ii) identify and execute accretive acquisitions; (iii) reduce the focus on lower-margin business lines in order to emphasize higher-value growth areas; and (iv) invest in new product development and distribution channels. Once a portfolio company has completed its recovery and has been positioned for growth, the Managers seek to tap internal resources and their network of external relationships to develop and assess potential short- and long-term exit opportunities.

## **Lending Strategy**

With respect to lending strategy funds, the Managers' principal investment strategy is to provide senior-secured, actively-managed revolving credit facilities and cross-collateralized term loans to growth-oriented, lower-middle-market companies in exchange for attractive coupon yields and meaningful equity participation.

- Established, Proactive, Deal Origination Platform. The NBD group serves both of the Managers' strategies and leverages its origination efforts by being able to offer access to both debt and equity capital.
- Due Diligence, Underwriting and Approval Process. Once a target has been identified, a detailed due diligence process is completed on the portfolio company and its industry. The approval of investments includes formal reports and review and discussion by the investment committee of due diligence and underwriting process results.
- Customized Investment Structuring. Experience with complex transactions enables the Investment Team to structure complex transactions, which is believed to offer comfort to company management seeking certainty of funding and speed to close. Transaction structures may include a senior-secured revolver on an actively managed borrowing base, a cross-collateralized term loan and meaningful equity participation, typically in the form of nominal cost warrants. In addition, the Managers seek to align loan repayment obligations with a portfolio company borrower's projected cash flows such that the borrower is expected to be able to repay the loans without undergoing a refinancing or other recapitalization.
- Loan Monitoring Infrastructure. The Managers have in place procedures and resources for ongoing monitoring of their investments. Ongoing monitoring and risk management processes

seek to identify operational and other issues early so that the Managers can tap the expertise of its investment professionals, operating partners and others to support Fund investments in portfolio companies.

- Operational, Financial and Investment Banking Capabilities. The Managers use the operational, financial and investment banking experience of their Principals to provide portfolio companies with strategic support and business development assistance. This can include assistance with tuck-in acquisition searches, dispositions of non-core assets and assistance with a portfolio company's sale processes. It also can include assistance with establishing systems and processes to support growth; implementing long-term planning and cost-reduction strategies; identifying and vetting executive candidates; and accessing capital markets for equity or debt financing.
- Hands-On Restructuring and Turnaround Capacity. In the event a portfolio company experiences distress, in-house investment professionals with hands-on operational and restructuring experience can be deployed to help mitigate investment losses or guide turnaround efforts designed to return the company to growth and profit.

*There can be no assurance that the Managers will achieve the investment objectives of the Funds, and a loss of investment is possible.*

## **Risks of Investment**

A Fund and its Investors bear the risk of loss that the applicable Manager's investment strategy entails. The risks involved with the Manager's investment strategy and an investment in a Fund are detailed in Fund's Governing Documents. In general, these risks include, but are not limited to:

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

Future and Past Performance. The performance of the Managers' prior investments is not necessarily indicative of the Fund's future results. While Comvest intends for each Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Investment in Junior Securities. The securities in which any Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Except in cases in which a Fund purchases secured debt securities, there generally will be no collateral to protect an investment once made. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the relevant Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect such Fund's returns.

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

*Lack of Sufficient Investment Opportunities.* It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, the Fund's Investors will be required to pay annual Management Fees during the Fund's investment period based on the entire amount of their Commitments.

*Dynamic Investment Strategy.* While the Managers generally intend to seek attractive returns for the Funds primarily by employing the strategy described herein, the Manager of a particular Fund may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. Any Manager may pursue investments outside of the industries and sectors in which it has previously made investments or has internal operational experience.

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

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

*Limited Transferability of Fund Interests.* There will be no public market for the interests of any Fund, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreements and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

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

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of the Funds will be vested entirely with the relevant Manager(s), and the Fund's future profitability will depend

largely upon the business and investment acumen of the Principals. The loss of service of one or more of the Principals could have an adverse effect on the Fund's ability to realize its investment objectives. Investors in a Fund generally have no right or power to take part in the management of such Fund, and as a result, the investment performance of the Fund will depend entirely on the actions of the relevant Manager.

Although the relevant Manager will monitor the performance of each Fund 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. Although the Managers generally intend to invest on behalf of each Fund in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

*Projections.* Projected operating results of a portfolio company in which a Fund invests normally will be based primarily on financial projections prepared by each portfolio company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*New Withholding Tax on Certain Non-U.S. Entities.* Legislation enacted on March 18, 2010, generally imposes, beginning January 1, 2013, a new withholding tax of 30% that will apply to distributions from a Fund to non-U.S. entities in respect of most payments attributable to investments in the United States, including distributions attributable to dividends, interest, and gross proceeds of a disposition of stock (including a liquidating distribution from a corporation), unless the foreign entity complies with certain conditions or an exception applies. The U.S. Internal Revenue Service recently announced a delayed implementation of this legislation, with the new withholding tax not applying until January 1, 2014.

*Conflicting Investor Interests.* Investors in any Fund may have conflicting investment, tax, and other interests with respect to their investments in such Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the relevant Manager(s) regarding an investment that may be more beneficial to one such Investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the relevant Manager(s) generally will consider the investment and tax objectives of the Fund and its Investors as a whole, not the investment, tax, or other objectives of any Investor individually.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that any Fund will make follow-on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for such Fund to increase its participation in a successful operation.

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

A Fund's investments may be made in currencies other than the currency in which such Fund's accounts are maintained. The value of an investment may fall substantially as a result of fluctuations in the currency of the country in which the investment is made as against the value of the currency in which a Fund's accounts are maintained. The relevant Manager may (but is not obligated to) endeavor to manage currency exposures using hedging techniques where available and appropriate. A Fund may incur costs related to currency hedging arrangements. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis, or that such hedging arrangement will achieve the desired effect.

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

*Significant Adverse Consequences for Default.* The Partnership Agreements provide for significant adverse consequences in the event an Investor defaults on its Commitment or other payment obligations. In addition to losing its right to potential distributions from a Fund, a defaulting Investor may be forced to transfer its interest in such Fund for an amount that is less than the fair market value of such interest and that may be paid after payments to non-defaulting Investors and the relevant Manager, without interest.

*Dilution.* Investors admitted to a Fund at subsequent closings will participate in then-existing investments of the Fund, thereby diluting the interest of existing Investors in such investments. Although any such new Investor will be required to contribute its *pro rata* share of previously-made capital contributions, there can be no assurance that such contribution will reflect the fair value of such Fund's existing investments at the time of such contributions.

*General Partner's Carried Interest.* The fact that a Manager's carried interest is based on a percentage of net profits may create an incentive for such Manager to cause the relevant Fund to make riskier or more speculative investments than otherwise would be the case.

*Transfer by General Partner.* To the extent the relevant General Partner, its partners, the Principals and/or their respective affiliates commit to make an investment in a Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement and applicable law.

*Public Company Holdings.* A Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject such Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of such Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the Principals, and increased costs associated with each of the aforementioned risks.

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

*Delayed Schedules K-1.* A Fund may not be able to provide final Schedules K-1 to its Investors for any given fiscal year until after April 15 of the following year. The relevant General Partner will use its reasonable efforts to provide such Investors with final Schedules K-1 or with estimates of the taxable income or loss allocated to their investment in the Fund on or before such date, but final Schedules K-1 may not be available until the Fund has received tax-reporting information from its portfolio companies necessary to prepare final Schedules K-1. Investors typically are required to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective Investor should consult with its own adviser as to the advisability and tax consequences of an investment in any Fund.

*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, is currently restricted. This may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections.

*Market Conditions.* Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. A Fund’s performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and Investors’ risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Fund’s performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of market and other economic events may also affect the Fund’s ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* The deterioration and prolonged slump of the global credit markets has made it more difficult for investment funds such as the Funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high-yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. A Fund’s ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

## **Conflicts of Interest**

At any given time, Comvest and its affiliates will typically manage several other Private Investment Funds in

addition to a given Fund, 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 Fund, and may direct certain relevant investment opportunities to those Private Investment Funds and with respect to such investments. In the event such other Private Investment Funds have made investments in portfolio companies that a given Fund may also be interested in, the Partnership Agreement may prohibit investments in such portfolio companies by the Fund without consent of the Fund's advisory board. If such consent is obtained, the Fund and such other Private Investment Funds may purchase different classes of debt and/or equity of the same portfolio company. In addition, certain of the Funds contemplate that such Funds generally will concurrently invest with other Private Investment Funds. Such concurrent investments will generally be in the debt of a portfolio company in which another Private Investment Fund concurrently purchases equity. Such debt investments are generally subject to specific contractual restrictions as set forth in the applicable Partnership Agreement. These and other investments may be deemed to create conflicts of interest, particularly because a Manager and its affiliates may take certain actions for some Private Investment Funds or affiliates with respect to one class of debt or equity that may be adverse to other Private Investment Funds or affiliates who hold other classes of debt or equity of the same portfolio company. In such cases, such Manager and its affiliates will seek to act in a manner it believes in good faith to be fair to the applicable Private Investment Funds under the circumstances.

In addition, the Principals may spend a portion of their business time and attention pursuing investment opportunities for other Private Investment Funds and other than on behalf of a given Fund. The Principals and the applicable Manager's investment staff will continue to manage and monitor such Private Investment Funds and investments. The Managers believe that the significant investment of the Principals in a Fund, as well as the Principals' interest in the carried interest with respect to such Fund, operate to align, to some extent, the interest of the Principals with the interest of the Investors in the Fund, although the Principals have economic interests in such other Private Investment Funds as well and receive Management Fees and carried interest there from. Such other Private Investment Funds that the Principals may control may compete with a given Fund or companies acquired by the Fund. At such time as the applicable Manager is permitted to raise a successor investment fund to a Fund, the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

Because a Manager's carried interest is based on a percentage of realized profits, it may create an incentive for the General Partner to cause the applicable Fund to make riskier or more speculative investments than would otherwise be the case.

## **Section 6. Disciplinary Information**

Neither Comvest nor its management persons have been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## **Section 7. Other Financial Industry Activities and Affiliations**

Comvest is affiliated with the other Managers, investment advisers registered with the SEC under the Advisers Act pursuant to Comvest's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with Comvest and serve as managers or general partners of private investment funds and other pooled vehicles or accounts and generally share common owners, officers,

partners, employees, consultants or persons occupying similar positions.

Two of the principal beneficial owners of Comvest Group Holdings also hold ownership interests in Commonwealth Associates, L.P. (“**Commonwealth**”), a New York City-based company that is in the process of deregistering as a broker-dealer. Commonwealth Associates had historically provided certain placement services to the Comvest managed funds and a number of the Managers employees were registered representatives with Commonwealth until December 2011. In December 2011, Commonwealth formally filed with the Financial Industry Regulatory Authority to deregister as a broker-dealer and is awaiting final approval for such deregistration filing.

#### **Section 8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Managers have adopted the Comvest Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of the Managers’ Principals and employees and addresses conflicts that arise from personal trading. The Code requires the Managers’ personnel to report their personal securities transactions and prohibits the Managers’ personnel from directly or indirectly acquiring beneficial ownership of securities in an initial public offering or in a limited offering, in each case, without first obtaining approval from the Managers’ Chief Compliance Officer. A copy of the Code will be provided to any client or prospective client upon request to Bonnie Giusto at (212) 829-5834 or [bonnieg@comvest.com](mailto:bonnieg@comvest.com).

The Managers and their partners, members, officers, directors, employees (and members of their families) or affiliates (“**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 Managers 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 Managers. Accordingly, should the Managers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Managers would be prohibited from communicating such information to clients, and the Managers 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 Comvest personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Managers and their affiliates may directly or indirectly own an interest in Private Investment 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 Fund. The Funds and other Private Investment Funds may invest together with other private investment funds advised by an affiliated adviser of the General Partner in the manner set forth in the applicable Partnership Agreement. The Managers will determine allocation of investment opportunities in a manner that they believe is fair and equitable to their clients consistent with the Managers’ fiduciary obligations, the applicable Private Investment Funds’ underlying documents and any investment allocation policy maintained by the Managers.

The Managers 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 Funds, and may give advice and



recommend securities to other Funds or accounts that may differ from advice given to, or securities recommended or bought for, other Funds or accounts with the same or similar investment objectives. The operative documents and investment programs of certain Funds may prohibit other Funds from investing in the same portfolio companies or other investments, or may otherwise restrict or limit such investments. In some cases, such operative documents and investment programs may give investment priority to some Funds over others. Although some such restrictions could be waived by Investors (or their representatives or advisory boards), the Managers may or may not, in their sole discretion, seek any such waiver and, in any event, there can be no assurance that any waiver sought would be obtained.

The Managers may recommend the purchase or sale of securities for client accounts in which one or more of their 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 clients of the Managers or the Funds. Certain of these transactions may require the consent of the applicable clients or Funds, and any such transaction will be conducted in accordance with any limitations set forth in the relevant Partnership Agreement(s).

## **Section 9. Brokerage Practices**

The Managers focus primarily 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 Funds do invest in public securities from time to time and the Managers may also distribute securities to Investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Managers do not intend to regularly engage in public securities transactions, to the extent they do so, they follow the brokerage practices described below.

If the Managers sell publicly traded securities for the Funds, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Managers. In such event, the Managers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Managers 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 Managers 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 Managers generally seek competitive commission rates, they 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 Managers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Managers generally do not make use of such services at the current time. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based

quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Managers' Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Managers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Funds. Research services may be shared between the Managers and their affiliates.

The Managers will employ no agreement or formula for the allocation of brokerage business on the basis of research services; however, the Managers may, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Managers have determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Managers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

The Managers will periodically determine which brokers have provided research that has been helpful in the management of Private Investment Funds. To the extent consistent with the Managers' goal to obtain best execution for their clients, the Managers may seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Managers 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 their Private Investment Funds' interest in receiving most favorable execution.

The Managers do not anticipate engaging in significant public securities transactions; however, to the extent that the Managers 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 Private Investment Funds are completed independently, the Managers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Managers may, but are 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 Private Investment Fund of the Managers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Fund.

Each Private Investment 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 Private Investment Funds over time.

## **Section 10. Review of Accounts**

The Managers seek early realization of liquidity for the Funds' portfolios and early return of capital to Investors; however, investments made by the Funds may be private, illiquid or long-term in nature. The Managers continually review investment positions for liquidity alternatives and work with portfolio companies in planning for and realizing liquidity for Investors. In addition, the Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is managed in accordance with its stated objectives.

For Control Strategy investments, the relevant Manager places importance on holding a seat on the board of each portfolio company or on having a contractual right to attend board meetings, and may otherwise act to influence management or control of portfolio companies held by the Funds, including through approval rights. For Lending Strategy investments, the relevant Manager generally seeks to mitigate risks through access to portfolio company management and detailed operating and financial information and through loan covenants and restrictions on certain activities of the portfolio companies.

The Funds generally provide to their Investors (i) annual GAAP-audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Investor's tax return, and (iii) quarterly reports describing the status of each investment in the relevant Fund's portfolio (including the relevant General Partner's estimate of the fair value of each investment determined as set forth in the Partnership Agreement).

## **Section 11. Client Referrals and Other Compensation**

The Managers and/or affiliates may provide certain business or consulting services to companies in the Funds' portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Funds. However, in other cases (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees would be in addition to Management Fees. See Section 2 ("Fees and Compensation") above for additional information.

From time to time, Comvest may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an Investor in a Fund. Any fees and expenses payable to any such placement agents will be borne by Comvest indirectly through an offset against the Management Fee. Comvest has retained and compensated placement agents from time to time to solicit investors on behalf of certain of the Funds. Compensation to placement agents is either paid or borne by the relevant Manager(s), and if initially paid by a Fund, will reduce Management Fees.

For its most recently completed Funds, Comvest IV and Comvest Capital II, solicitation of Investors was carried out principally by Comvest employees. Some of those employees were also registered representatives of Commonwealth, although Commonwealth did not receive any compensation with respect to such solicitation activities. Comvest also engaged a placement agent with respect to certain non-U.S. Investors who committed capital.

## **Section 12. Custody**

The majority of the Funds' investments are in the form of non-negotiable and non-transferable illiquid holdings

for private company equity, equity warrants or debt instruments. Such instruments generally are held by the Manager in a secure location within its principal office, or are held by financial institutions that have extended credit to the Fund to which the investment relates. To the extent a Fund holds marketable or certificated securities, they are generally held in custody in the relevant Fund's brokerage account with Barclays Capital Inc., 200 Park Avenue, 4th floor, New York, NY 10166. The Managers maintain custody of other Fund assets, held in the name of the relevant Fund, with the following other qualified custodians:

- Citibank, N.A., 292/00954 Sort 2224, New York, NY 10043;
- PNC Bank, One Financial Parkway, Locator Z1-Yb42-03-01, Kalamazoo, MI 49009;
- Charles Schwab & Co, Inc., P.O. Box 628291, Orlando, FL 32862-8291; and
- BlackRock, Inc., P.O. Box 8950, Wilmington, DE 19885-9628.

### **Section 13. Investment Discretion**

Each Manager has discretionary authority to manage investments on behalf of the applicable Fund. As a general policy, the Managers do not allow clients to place limitations on this authority, provided that the Partnership Agreement of a Fund may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of each Partnership Agreement, however, a Manager may enter into "side letter" arrangements with certain Investors whereby the terms applicable to such Investor's investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Manager assumes this discretionary authority pursuant to the terms of the relevant Partnership Agreement and powers of attorney executed by the Investors of each Fund.

### **Section 14. Voting Client Securities**

In accordance with SEC requirements, the Managers have adopted Proxy Voting Policies and Procedures (the "Policy") to address how any Manager will vote proxies, as applicable, for the Funds' portfolio investments. The Policy seeks to ensure that the applicable Manager votes proxies (or similar instruments) in the best interest of the Funds, including when there may be material conflicts of interest in voting proxies. The Managers generally believe their interests are aligned with the Funds' investors through the Principals' beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event, however, there is or may be a conflict of interest between the applicable Manager and the Funds in voting proxies, the Policy provides that the Manager may address the conflict using several alternatives, including by seeking the approval or concurrence of the relevant Funds' advisory board(s) on the proposed proxy vote or through other alternatives set forth in the Policy. Additionally, a Fund's advisory board may approve the Fund's vote in a particular solicitation. The Managers do not consider service on portfolio company boards by Manager personnel or Principals, or the Managers' 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 Policy sets forth certain specific proxy voting guidelines the Managers follow when voting proxies on behalf of the Funds. A copy of the Policy or information regarding how the Managers voted proxies for particular portfolio companies after the effective date of registration will be provided to clients or

prospective clients at no charge upon request to Bonnie Giusto at (212) 829-5834 or [bonnieg@comvest.com](mailto:bonnieg@comvest.com)

#### **Section 15. Financial Information**

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