

**ITEM 1  
COVER PAGE**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

**CEVIAN CAPITAL II GP LIMITED**

**March 2013**

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Cevian Capital II GP Limited  
La Motte Chambers  
St. Helier, Jersey JE1 1BJ  
Channel Islands  
Tel: +44 1534 602 509  
Fax: +44 1534 602 433  
Website: [www.ceviancapital.com](http://www.ceviancapital.com)

*This brochure (this "Brochure") provides information about the qualifications and business practices of Cevian Capital II GP Limited (the "Investment Adviser"). If you have any questions about the contents of this Brochure, please contact us at +44 1534 602 509 or [denzil.boschat@rbc.com](mailto:denzil.boschat@rbc.com). 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.*

*The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

*Additional information about the Investment Adviser also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **ITEM 2**

### **MATERIAL CHANGES**

The Investment Adviser is required to identify and discuss any material changes made to its Brochure since the last annual update (which was filed on April 12, 2012). No material changes have been made to this Brochure since the last annual update. If the Investment Adviser makes any material changes to this Brochure, this section will be revised to include a summary of such changes.

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm**

Cevian Capital II GP Limited, a Jersey limited liability company, commenced operations in 2006 with an office in Jersey. Through direct and indirect ownership, Messrs. Christer Gardell and Lars Förberg are the largest owners of the Investment Advisor. However, FPCZ NON-ECI LLC, is the single largest owner of the Investment Adviser.

#### **B. Description of Advisory Services**

##### **1. Advisory Services.**

The Investment Adviser serves as the general partner with discretionary trading authority to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis, including (1) Cevian Capital II L.P., a Cayman Islands exempted limited partnership (the "Domestic Fund"), (2) Cevian Capital II Master Fund L.P., a Cayman Islands exempted limited partnership (the "Master Fund"), (3) Cevian Capital II Co-Investment Fund L.P., a Cayman Islands exempted limited partnership (the "Co-Investment Fund") and (4) Cevian Capital II Co-Investment No 3 L.P., a Cayman Islands exempted limited partnership (the "Co-Investment Fund No 3"). The Domestic Fund, together with Cevian Capital II Limited, a Cayman Islands exempted company (the "Offshore Fund"), invest substantially all of their assets through a "master feeder" structure in the Master Fund. The Domestic Fund, the Offshore Fund and the Master Fund and the Co-Investment Fund are each referred to in this Brochure as a "Fund" and collectively as the "Funds".

Cevian Capital Limited, a Jersey limited company (the "Manager"), has been appointed as manager to the Funds. The Manager implements investment decisions pursuant to instructions from the Investment Adviser within the parameters set by the Investment Adviser.

Cevian Capital (Malta) Ltd, a Malta limited company ("Cevian Malta"), has been appointed as investment operator to the Funds. Cevian Malta receives and transmit trading instructions within the parameters set by the Investment Adviser.

Cevian Capital AB, a Swedish limited company ("Cevian AB"), acts as investment adviser. Cevian AB is responsible for providing investment advice and recommendations to the Investment Adviser.

Cevian Capital AG, a Swiss limited company ("Cevian AG"), acts as investment adviser. Cevian AG is responsible for providing investment advice and recommendations to the Investment Adviser.

Cevian Capital (UK) LLP, an English limited liability partnership ("Cevian UK"), acts as marketing adviser. Cevian UK is responsible for providing marketing and research and investment advisory services to the Investment Adviser.

As used herein, the term "client" generally refers to a Fund or the Funds.

*This Brochure generally includes information about the Investment Adviser and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.*

## **2. Investment Strategies and Types of Investments.**

The investment objective of the Funds is to seek to create capital appreciation. The Domestic Fund and the Offshore Fund seek to achieve their investment objective by investing substantially all of their assets in the Master Fund. The Funds seek to achieve their investment objective principally by (i) investing in undervalued publicly listed companies; and (ii) adding value to the companies in which they invest by effecting change.

The Funds expect to assume substantial minority ownership positions in a limited number of companies. The core area of the investments is expected to be Denmark, Finland, Norway, Sweden (collectively, the "Nordic Region") and Austria, Belgium, France, Germany, Ireland, Luxembourg, the Netherlands, Switzerland and the United Kingdom (collectively, "Northern Europe").

The Funds are permitted to invest in a broad range of securities and instruments, including, without limitation, equity and equity-related securities (including distressed investments), bonds, bank debt and other fixed-income investments, futures, forward contracts, warrants, options, repurchase agreements, reverse repurchase agreements, bankruptcy and trade claims, swaps and other derivative instruments, currencies, commodities, money market securities and other cash equivalents.

For further information on the Funds' investment strategies, please see Item 8(A).

*The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

### **C. Availability of Customized Services for Individual Clients**

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents and/or governing documents.

### **D. Wrap Fee Programs**

The Investment Adviser does not participate in wrap fee programs

E. Assets Under Management

The Investment Adviser manages approximately \$9,102,765,369 as of February 28, 2013, on a discretionary basis. As of February 28, 2013, the Investment Adviser does not manage any assets on a non-discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees and Compensation**

The fees applicable to each Fund are set forth in detail in each Fund's offering documents and/or governing documents. A brief summary of such fees is provided below. The Investment Adviser may, in its sole discretion, elect to reduce, waive or calculate differently the fees and compensation for certain investors.

##### **1. Domestic Fund**

Generally, the Domestic Fund will pay jointly to the Manager and Cevian Malta an aggregate monthly management fee, payable in arrears (the "Management Fee"), equal to 0.125% to 0.167% (1.5% to 2% annualized) of the balance of each capital account of an investor. The Management Fee will be pro rated for any partial periods.

Generally, at the end of the lock-up period applicable to each class of interests in the Domestic Fund (which is either 1, 2, 3 or 5 years) the Investment Adviser is entitled to an incentive allocation (the "Incentive Allocation") in an amount equal to 18% to 22% of the net capital appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation) allocated to an investor's capital account for such period after deducting the Management Fee debited to such investor's capital account for such period, subject to a loss carryforward mechanism.

In the event that the Domestic Fund is terminated or an investor withdraws other than at the end of the applicable lock-up period, then for purposes of determining the Incentive Allocation allocable at such time to the Investment Adviser, net capital appreciation will be determined as if such dates were the end of a lock-up period, subject to certain adjustments. In the sole discretion of the Investment Adviser, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain investors.

##### **2. Offshore Fund**

Generally, the Offshore Fund will pay jointly to the Manager and Cevian Malta a fixed Management Fee, payable monthly on the last business day of each month, in arrears, equal to 0.125% to 0.167% (1.5% to 2% annualized) of the net asset value of each series of shares before deduction of that month's Management Fee.

As a limited partner in the Master Fund, the Offshore Fund will have a separate capital account in the Master Fund for each series of shares and, accordingly, will be subject to Incentive Allocations made by the Master Fund. The Offshore Fund will not pay a separate incentive fee.

Generally, at the end of the lock-up period applicable to the capital accounts in the Master Fund corresponding to each class of shares in the Offshore Fund (which is either 1, 2, 3 or 5 years) the Investment Adviser is entitled to the Incentive Allocation in an amount equal to 18% to 22% of the net capital appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation) allocated to a capital account for such



period after deducting the Management Fee debited to such capital account for such period, subject to a loss carryforward mechanism.

In the event that the Offshore Fund is terminated or an investor redeems other than at the end of the applicable lock-up period, then for purposes of determining the Incentive Allocation allocable at such time to the Investment Adviser, net capital appreciation will be determined as if such dates were the end of a lock-up period, subject to certain adjustments. In the sole discretion of the Investment Adviser, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain investors.

### **3. Co-Investment Fund**

Generally, the Co-Investment Fund will pay jointly to the Investment Adviser a fixed Management Fee, payable quarterly on the last business day of each quarter, in advance, equal to 0.25% (1.0% annualized) of the net asset value of each capital account of an investor.

Proceeds from a realized investment will be allocated among the investors that have participated in such investment *pro rata* to their interest in the investment. The amount allocated to each such investor and the Investment Adviser will be allocated in the manner and in the following order of priority: (i) first, 100% to such investor until such investor has received, taking into account all prior allocations, an amount equal to the aggregate of its capital contributions drawn down at the time of allocation in respect of such investment; and (ii) thereafter, 90% to such investor and 10% to the Investment Adviser calculated on an aggregate basis for the investment upon final divestment of such investment. For the purposes of the foregoing, the amount of any distribution will be deemed to be: (i) calculated after taking account of the Co-Investment Fund's expenses in relation thereto; (ii) calculated before taking account of any tax assessable on, or payable by, an investor but after taking account of any tax assessable on, or payable by, the Co-Investment Fund.

### **4. Co-Investment Fund No 3**

Generally, the Co-Investment Fund No 3 will not pay the Investment Adviser a Management Fee.

Proceeds from a realized investment will be allocated among the investors that have participated in such investment *pro rata* to their interest in the investment. The amount allocated to each such investor and the Investment Adviser will be allocated in the manner and in the following order of priority: (i) first, 100% to such investor until such investor has received, taking into account all prior allocations, an amount equal to the aggregate of its capital contributions drawn down at the time of allocation in respect of such investment; and (ii) thereafter, 90% to such investor and 10% to the Investment Adviser calculated on an aggregate basis for the investment upon final divestment of such investment. For the purposes of the foregoing, the amount of any distribution will be deemed to be: (i) calculated after taking account of the Co-Investment Fund No 3's expenses in relation thereto; (ii) calculated before taking account of any tax assessable on, or payable by, an investor but after taking account of any tax assessable on, or payable by, the Co-Investment Fund No 3.

#### B. Payment of Fees.

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds are generally deducted from the assets of such clients. With respect to the Master Fund, the Domestic Fund and the Offshore Fund, Management Fees are generally deducted on a monthly basis and Incentive Allocations are generally deducted on 1, 2, 3 or 5 year basis. With respect to the Co-Investment Fund, Management Fees are generally deducted on a quarterly basis and carried interest allocations are generally made to the Investment Adviser at the time an investment is realized.

#### C. Additional Fees and Expenses

Each Fund bears its own organizational and operating costs and expenses, including, but not limited to, (i) all transactions carried out by it or on its behalf, and (ii) the administration of the Partnership, including, without limitation, (a) the charges and expenses of legal advisers, auditors and other consultants, including in relation to due diligence on potential investments, (b) brokers' commissions (if any), borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions, (c) all taxes and corporate fees payable to governments or agencies, (d) fees (if any) and expenses in connection with directors of the Investment Adviser and the costs of insurance (if any) for their benefit, (e) interest on borrowings, including borrowings from prime brokers and custodians, (f) communication expenses with respect to investor services and all expenses of preparing, printing and distributing financial and other reports, (g) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, (h) all other costs relating to investments and divestments as well as investments and divestments that are not completed, and (i) all other organizational and operating expenses as approved by the Investment Adviser.

#### D. Prepayment of Fees.

The Co-Investment Fund pays the Investment Adviser the Management Fee quarterly in advance based on the net asset value of each capital account of an investor. In the event that a capital account's net asset value is reduced in connection with a withdrawal or distribution other than as of the last business day of a quarter, the Investment Adviser will pay the Co-Investment Fund an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days remaining in such quarter and the Co-Investment Fund will distribute such amount to the investor.

#### E. Additional Compensation and Conflicts of Interest

Neither the Investment Adviser nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Investment Adviser and its affiliates accept performance-based fees from every client (either directly or indirectly). As a result, the Investment Adviser and its affiliates do not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

The Investment Adviser and its affiliates do however accept differing rates of performance-based fees from different clients (either directly or indirectly), and as a result, may face conflicts of interest with respect to trade allocation between such clients. The Investment Adviser is committed to allocating investment opportunities on a fair and equitable basis, and in a manner that is consistent with the investment objectives of each of the Funds they manage. This general approach, however, may be subject to change based on a number of factors, please see Item 12(B) below.

**ITEM 7**  
**TYPES OF CLIENTS**

The Investment Adviser generally provides investment advice to Funds that are private investment vehicles organized outside the United States, as described above.

## **ITEM 8**

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

#### **A. Methods of Analysis and Investment Strategies**

*The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The investment objective of the Funds is to seek to create capital appreciation. The Domestic Fund and the Offshore Fund seek to achieve their investment objective by investing substantially all of their assets in the Master Fund. The Funds seek to achieve their investment objective principally by (i) investing in undervalued publicly listed companies; and (ii) adding value to the companies in which they invest by effecting change.

The Funds expect to assume substantial minority ownership positions in a limited number of companies. The core area of the investments is expected to be the Nordic Region and Northern Europe.

The Funds principally invest in equity and equity-related securities, but may invest in other assets, including, but not limited to, debt securities and derivatives. The Funds may use leverage in connection with their activities.

The Master Fund will generally keep its unencumbered cash in prime brokers' and custodian's accounts, but may also use short-term fixed-income instruments or invest a portion of its cash in publicly traded equity and/or debt securities.

The Funds may make, but are not anticipated to make, investments in private companies.

The Funds may also invest in assets or securities that are not freely tradable, lack a readily assessable market value or that the Investment Adviser believes should be held until resolution of a special event or circumstance ("Special Situation Investment").

The Funds have not adopted any specific diversification restrictions in respect of their investments, and the Funds' investments may be highly concentrated.

The Funds will focus on acquiring substantial minority ownership positions in undervalued public companies where there is opportunity to create value by:

- (i) corporate governance improvements,
- (ii) corporate restructuring and strategic re-orientation,

- (iii) operational improvements, and/or
- (iv) financial restructuring.

The core area of the investments is expected to be the Nordic Region and Northern Europe.

Generally, the Funds' targets are companies that are overlooked or misunderstood by the market (*e.g.*, due to a lack of research coverage or an unwieldy corporate structure). Typical investment targets are companies with significant potential for value enhancement through restructuring activities or fundamentally sound companies hampered by sub-optimal or outdated business plans. In many instances, this means pursuing value situations in sectors or companies that are out of favor. Companies in transition or that have the potential to benefit from significant change are typically attractive investment candidates for the Funds.

The Funds will not operate with any specific sector concentration limitations. The Investment Adviser will, however, evaluate and consider exposures and risks on a sector basis. It is anticipated that the Funds' investment strategy will result in a significant concentration of positions. Decreases in value may be viewed as an opportunity to increase the Funds' investment at a reduced cost basis.

The Funds are permitted to invest in a broad range of securities and instruments, including, without limitation, equity and equity-related securities (including distressed investments), bonds, bank debt and other fixed-income investments, futures, forward contracts, warrants, options, repurchase agreements, reverse repurchase agreements, bankruptcy and trade claims, swaps and other derivative instruments, currencies, commodities, money market securities and other cash equivalents.

The Funds may use leverage in connection with their activities. The Investment Adviser will determine appropriate levels of leverage for the Funds. Leverage will only be employed in relation to the Master Fund if such leverage would be, in the opinion of the General Partner acting reasonably, in the best interests of the Master Fund. The Master Fund will not enter into any transaction if such transaction will cause the gross exposure of the Master Fund to exceed 175 per cent of the Master Fund's net assets. For purposes of the foregoing, the direct or indirect debt, leverage and/or the unhedged notional value of any derivatives incurred by or entered into by the Master Fund will be taken into account in determining the amount of "gross exposure."

The Investment Adviser reserves the right to add investment restrictions in order to comply with any regulatory requirements applicable to the Funds.

**B. Material, Significant or Unusual Risks Relating to Investment Strategies and Particular Types of Securities**

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser.*

The Funds' Investment Strategy. The success of the Funds' investment activities will depend on Cevian Capital AB's and Cevian Capital AG's ability to identify investment opportunities and the Investment Adviser's ability to make investment decisions. Identification and exploitation of the investment strategies to be pursued by the Funds involve a high degree of uncertainty. No assurance can be given that Cevian Capital AB and Cevian Capital AG will be able to locate suitable investment opportunities in which to deploy all of the Funds' assets. In many cases, the success of the Funds' investment strategy will depend on the ability to introduce strategies to improve corporate value. These activities entail a high degree of uncertainty. There can neither be assurance that such value enhancing strategies will be successfully implemented in such target companies nor that the market price of a portfolio company's securities increases in response to any actions taken. Such strategies and actions taken may have a negative effect on the value of the investment portfolio.

Control Issues. Although the Investment Adviser may seek protective provisions, including, possibly, board representation, in connection with certain of its private investments, to the extent the Funds take minority positions in companies in which they invest, the Investment Adviser may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect their position in such companies.

Activist Role of the Funds. The Funds may pursue an activist role in effectuating corporate change with respect to an investment. The costs in time, resources and capital involved in such activist investments depend on the circumstances, which are only in part within the Investment Adviser's control, and may be significant, particularly if litigation against the Funds and/or the Investment Adviser and its affiliates ensues. In addition, the expenses associated with an activist investment strategy, including potential litigation or other transactional costs, will be borne by the Funds. Such expenses may reduce returns or result in losses.

The success of the Funds' activist investment strategy may require, among other things: (i) that the Investment Adviser properly identify portfolio companies whose equity prices can be improved through corporate and/or strategic action; (ii) that the Funds acquire sufficient shares of the securities of such portfolio companies at a sufficiently attractive price; (iii) a positive response by the management of portfolio companies to shareholder engagement; (iv) a positive response by other shareholders to shareholder activism and the Investment Adviser's proposals; and (v) a positive response by the markets to any actions taken by portfolio companies in response to shareholder activism. None of the foregoing can be assured to succeed.

Corporate governance strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or shareholders of the subject company, which may result in litigation and may erode, rather than increase, shareholder value; (ii) intervention of one or more governmental agencies; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in securities prices; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the

transaction or the Funds and such regulatory agencies may independently investigate the participants in a transaction, including the Funds, as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of shareholders and others with an interest in the subject company. Some shareholders may have interests which diverge significantly from those of the Funds and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Investment Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Investment Adviser anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow the Funds to dispose of all or any of its securities therein or to realise any increase in the price of such securities.

Co-Investments with Third Parties. The Funds may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third party involvement, including the possibility that a third party co-investor may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives.

Emerging Markets. Although the Funds do not currently invest in emerging markets, the Funds may in the future invest in certain developing markets in emerging Europe. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may be subject to the following risks: less publicly available information; more volatile markets; less liquidity or available credit; political or economic instability; less strict securities market regulation; less favorable tax or legal provisions; price controls and other restrictive governmental actions; a greater likelihood of severe inflation; unstable currency; and war and expropriation of personal property. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. The quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported. The issuers of some securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and, therefore, potentially carry greater risk. In addition, the Funds' investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities or restrictions on the ability to convert currency or to take currencies out of certain countries. Due to the foregoing risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities of issuers based in developed countries. In addition, economic problems in a single emerging market country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global



economic conditions and world markets and, in turn, could adversely affect the Funds' performance.

Special Situation Investments The aggregate amount of Special Situation Investments is not expected to comprise of more than 20 per cent and will not exceed 40 per cent of the Master Fund's total assets (determined at the time the investment is designated as a Special Situation Investment). The Master Fund will not be able to readily dispose of Special Situation Investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Special Situation Investments will be valued at fair value by the Master Fund's administrator in consultation with the Investment Adviser. There is no guarantee that this value will represent the value that will be realized by the Master Fund on the eventual disposition of the Special Situation Investment. An investment in a Fund is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments. An investor's participation in Special Situation Investments may be disproportionate to such investor's participation in the relevant Fund as a whole.

Investments in Undervalued Securities The Funds will seek to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' investments may not adequately compensate for the business and financial risks assumed. In addition, the Funds may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds' capital would be committed to the securities purchased, thus possibly preventing the Funds from investing in other opportunities. In addition, the Funds may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Small and Medium Capitalization Companies The Funds may invest a portion of their assets in the securities of companies with small- to medium-sized market capitalizations. While the Investment Adviser believes they often provides significant potential for appreciation, those stocks, particularly small-capitalization stocks, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

Leverage and Financing Risk Pursuant to the investment program described herein, the Funds may leverage their capital when they believe that the use of leverage may enable them to achieve a higher rate of return and to meet redemptions and expenses which would otherwise result in premature realization of assets. Accordingly, the Funds may pledge their securities in order to borrow additional funds for investment purposes. The Funds may also leverage their investment return with options, short sales, swaps, forwards and other derivative instruments.

While leverage presents opportunities for increasing the Funds' total return, it has the effect of potentially increasing losses as well. Accordingly, any event which

adversely affects the value of an investment by the Funds would be magnified to the extent the Funds are leveraged. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the Funds' investments could result in a substantial loss to the Funds which would be greater than if the Funds were not leveraged.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call," pursuant to which the Funds must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to satisfy their margin requirements.

Certain Derivative Investments Pursuant to the investment program described herein, the Funds may use certain derivative investments. The use of derivative contracts such as futures, options, contracts for differences, and swaps may involve substantial risks. The low margin or premiums normally required for such instruments may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for futures contracts or options purchased or sold, and the Funds may be required to maintain a position until exercise or expiration, which could result in losses. Futures positions may be illiquid because, for example, most exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses. In addition, the Funds may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

If the Funds use certain exchanges which, in certain countries, are essentially "principals' markets" in which performance of the future contract is the sole responsibility of the individual member with whom the trader has entered into a contract and not of an exchange or clearing house, the Funds will be exposed to the risk of the inability of, or refusal by, the counterparty to settle the transaction or perform its obligations under such contract. In addition, certain non-U.S. exchanges may impose price fluctuation limits when trading and/or speculative position limits on the number of positions that may be held in particular commodities. As a general matter, using futures contracts and options are highly specialized activities that may entail greater risks than ordinary investment or trading.

The Funds may buy or sell both call options and put options. The Funds' option transactions may be part of a hedging strategy (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which the Funds have the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, the principal risks involved in using options can be described as follows, without taking into account other positions or transactions the Funds may enter into. When a Fund buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of such Fund's investment in the option (including commissions). The Funds could mitigate those losses by selling short, or buying puts on, the securities as to which they hold call options, or by taking a long position (*e.g.*, by buying the securities or buying calls on them) in securities underlying put options.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk.

Short Selling. Short selling involves selling securities that are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales will depend upon the Investment Adviser's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Legal and regulatory restrictions may impact on the ability of the Funds to sell a security short and/or may require the Funds to disclose any short position with possible adverse consequences to the Funds.

Hedging Transactions. The Funds may utilize financial instruments, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of the Funds' investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio; (v) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (vi) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (vii) for any other reason that the Investment Adviser, on the advice of Cevian Capital AB and Cevian Capital AG, deems appropriate.

The success of the Funds' hedging strategy will depend, in part, upon Cevian Capital AB's and Cevian Capital AG's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged and the subsequent implementation of such hedging strategy. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to the Investment Adviser's ability to continually recalculate, readjust and recommend hedges in an efficient

and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in such hedging transactions. For a variety of reasons, Cevian Capital AB and Cevian Capital AG may not advise seeking to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. Cevian Capital AB and Cevian Capital AG may not advise hedging against a particular risk because they do not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because they do not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings.

Highly Volatile Markets The prices of financial instruments in which the Funds may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Funds are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses.

Loans of Portfolio Securities The Funds may lend their portfolio securities. By doing so, the Funds attempt to increase income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Funds could experience delays in recovering the loaned securities. To the extent that the value of the securities the Funds lent has increased, the Funds could experience a loss if such securities are not recovered.

Certain Securities Markets Stock markets in certain countries may have a relatively low volume of trading. Securities of companies in such markets may also be less liquid and more volatile than securities of comparable companies elsewhere. There may be low levels of government regulation of stock exchanges, brokers and listed companies in certain countries. In addition, settlement of trades in some markets is slow and subject to failure.

Exchange Rate Fluctuations; Currency Considerations While the Master Fund will operate in Euros, the Master Fund's assets will often be invested securities denominated in other currencies in non-Euro securities and any income or capital received by the Master Fund will be denominated in the local currency of investment. Accordingly, changes in currency exchange rates (to the extent unhedged) will affect the value of the Master Fund's portfolio and the unrealized appreciation or depreciation of investments.

Furthermore, the Funds may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Funds at one rate, while offering a lesser rate of exchange should the Funds desire immediately to resell that currency to the dealer. The Funds will conduct their currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-Euro currencies. It is anticipated that most of the

Funds' currency exchange transactions will occur at the time securities are purchased and will be executed through the local broker or custodian acting for the Funds. There can be no assurance that any currency hedging will be successful.

Insider Regulations and Fiduciary Duties As part of the Funds' investment program, the Investment Adviser may appoint persons affiliated with the Funds (including but not limited to, the directors, employees of Cevian Capital AB or Cevian Capital AG, and their affiliates) to a company's management team or board of directors. As a consequence (i) the Investment Adviser may acquire fiduciary duties to the company and to its other shareholders (ii) compliance with applicable law or regulations, such as insider dealing regulations may have the effect of restricting transactions of the Funds, and the Investment Adviser may be forced to reveal details of the Funds' investments.

Highly Volatile Instruments The prices of derivative instruments, including options, are highly volatile. Price movements of forward contracts and other derivative contracts in which the Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds are also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearing houses.

Investments in Unlisted Securities The Funds may invest in unlisted securities. Because of the absence of any active market for these investments, it may take longer to liquidate these positions than would be the case for publicly traded securities or it may not be possible to liquidate these positions. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by the Funds. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Business Investment Risks The Funds may invest directly in companies or joint ventures, which may involve both operating and financial risks. Entities in which the Funds may invest will be subject to changes in economic climate, technology and competition as well as other operating risks. For these and other reasons capital appreciation sought by the Funds may not be achieved. Furthermore, the Funds may not be able to exercise any control over the management of entities in which they invests.

Equity Securities The Funds may invest in equity securities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if they invest in equity instruments of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of

convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Fixed-Income Securities The Funds may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and "higher yielding" (including non-investment grade) (and, therefore, higher risk) debt securities. The Funds will therefore be subject to credit, liquidity and interest rate risks. Higher-yielding debt securities are generally unsecured and may be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured on substantially all of the issuer's assets. The lower rating of debt obligations in the higher-yielding sector reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities may not be protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Convertible Securities Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Funds is called for redemption, the Funds will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Funds.

Futures Contracts. The Funds may trade in futures contracts and options on futures. Futures positions may be illiquid because a commodity exchange limits fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price

fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses. In addition, the Funds may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, some regulations and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

Swap Agreements. The Funds may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Funds' exposure to long-term or short-term interest rates, currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, commercial property indices, residential property indices or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Funds are not limited to any particular form of swap agreement if consistent with the Funds' investment objective and approach.

Swap agreements tend to shift the Funds' investment exposure from one type of investment to another. For example, if the Funds agree to exchange payments in Euro for payments in U.S. Dollars, the swap agreement would tend to decrease the Funds' exposure to Euro interest rates and increase its exposure to non-Euro currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Funds' portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Funds. If a swap agreement calls for payments by the Funds, the Funds must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Funds.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these

markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in major losses to the Funds.

Global Investments Although the Investment Adviser expect that its investment focus will primarily be in the Nordic Region and Northern Europe, the Funds may invest a portion of their portfolio in financial instruments of issuers located outside the European Union or the United States. In addition to business uncertainties, such investments may be affected by political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States or the European Union and, as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ and there may be less publicly available information in respect of such non-U.S. and non-EU issuers.

The Funds may be subject to additional risks, which include possible adverse political and economic developments, possible seizure or nationalization of non-U.S. and/or non-EU deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some of the financial instruments may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Interests, dividends, capital gains or other income received by the Funds from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by the Funds will reduce their net income or return from such investments.

Investment and Repatriation Restrictions Some emerging countries have laws and regulations that currently preclude direct foreign investment in the securities of their companies. However, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in these countries is permitted by certain emerging countries through investment funds which have been specifically authorized.

In addition to the foregoing investment restrictions, prior governmental approval for foreign investments may be required under certain circumstances in some emerging countries. Ownership limitations also may be imposed by the charters of individual companies in emerging countries to prevent, among other concerns, violation of foreign investment limitations. Some attractive equity securities may not be available to the Funds because foreign investors hold the maximum amount permitted under current laws or because of minimum eligibility requirements (such as net worth) for investing in certain types of securities in some emerging countries.

Repatriation of investment income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries.



The Funds could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging market countries on interest or dividends paid on securities held by the Funds or gains from the disposition of such securities.

Market Disruptions. The Funds may incur major losses in the event of disrupted markets and other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from a disconnect with historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Funds from prime brokers and from their banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Funds. A sudden restriction of credit by the dealer community has resulted in forced liquidations and major losses for a number of investment funds and other vehicles. Because market disruptions and losses in one sector can cause ripple effects in other sectors, many investment funds and other vehicles have suffered heavy losses even though they were not necessarily heavily invested in credit-related investments. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Funds and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Funds to liquidate affected positions and thereby expose them to losses. There is also no assurance that off-exchange markets will remain liquid enough for the Funds to close out positions.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Investment Adviser's advisory business or the integrity of the Investment Adviser's management.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Broker-Dealer Registration Status.

The Investment Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.

The Investment Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Conflicts of Interest Relating to Other Investment Advisers

The Investment Adviser does not recommend or select other investment advisers for its clients.

## **ITEM 11**

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

#### **A. Code of Ethics.**

The Investment Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Investment Adviser has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Investors may request a copy of the Code by contacting the Investment Adviser at the address or telephone number listed on the first page of this document.

#### **B. Securities in which the Investment Adviser or a Related Person Has a Material Financial Interest**

The Investment Adviser generally does not engage in principal transactions (i.e., it generally does not purchase or sell any securities for its own account to or from the Funds). However, from time to time, subject to applicable restrictions under ERISA as well as Fund investment guidelines and restrictions, the Investment Adviser may direct one Fund to sell securities to another Fund through an internal cross transaction. Depending on the aggregate ownership interest in the Fund by Cevian and its personnel, such transactions could be viewed as principal transactions. All such principal transactions will comply with Section 206(3) of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

#### **C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients**

The Code prohibits trading of "covered securities" in any account in which an employee has any direct or indirect beneficial ownership (as defined under Rule 16a-1(a)(2) of the Securities Exchange Act of 1934). "Covered securities" include all securities defined under the Investment Advisers Act of 1940, including: (i) debt and equity securities; (ii)

options on securities, on indices, and on currencies; and (iii) all forms of limited partnership and limited liability company interests, including interests in private investment funds (such as hedge funds), and interests in investment clubs. Discretionary management of personal accounts may be permitted for "closely-related persons" (including cohabitants, civil partners or immediate family members) after approval from the Compliance Officer. In the case of discretionary management, the approval assumes that there is no prior communication with the portfolio manager and the closely-related person in respect of individual instances of purchases or sales and that the covered securities which are acquired cannot be sold within one month of the acquisition.

The Investment Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Investment Adviser and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in similar securities made at or about the same time as client trades.

## **ITEM 12 BROKERAGE PRACTICES**

### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

As noted previously, the Investment Adviser has full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Portfolio transactions for each Fund will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Investment Adviser and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Investment Adviser may consider, among other things, the following:

- the ability of the brokers and dealers to effect the transaction; and
- the brokers' or dealers' facilities, reliability and financial responsibility.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

#### **1. Research and Other Soft Dollar Benefits.**

The broker may use part of the relevant commission to pay for certain services related to the execution of transactions on behalf of customers and/or the provision of investment research received by the Investment Adviser. It is intended that such arrangements will assist the Investment Adviser in the provision of investment management services to the Funds. The Investment Adviser may agree that a broker will be paid a commission exceeding the amount another broker would have charged for the same transaction if, in the good faith judgment of the Investment Adviser, the amount of the commission is reasonable in relation to the value of the brokerage and other services provided or paid for by such broker.

The Investment Adviser will also operate, within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Soft dollars generated in respect of futures, currency and derivatives transactions and principal transactions (that are not riskless principal transactions) that do not generally fall within the safe harbor created by Section 28(e) will be utilized only with respect to research related products and services for the benefit of the Funds.

## **2. Brokerage for Client Referrals**

From time to time, representatives of the Investment Adviser or its affiliates may speak at conferences and programs for investors interested in investing in hedge funds which are sponsored by prime brokers. These conferences and programs may provide opportunities by which the Investment Adviser is introduced to potential investors in the Funds and other investment vehicles the assets of which it manages. Generally, the prime brokers are not compensated by the Investment Adviser or its affiliates, the Funds or the potential investors for providing such "capital introduction" opportunities. In addition, prime brokers may provide financing and other services to the Funds, the Investment Adviser, the Manager and Cevian Malta. Consequently, such additional services by a prime broker may influence the Investment Adviser or its affiliates in deciding whether to use the services of such prime broker in connection with the activities of the Funds.

## **3. Directed Brokerage.**

The Investment Adviser does not recommend, request or require that a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

## **4. Trade Errors.**

The Investment Adviser's traders may on occasion experience errors with respect to trades made on behalf of the Funds. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold; when the correct security is purchased or sold but for the wrong account; when the wrong amount is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are traded); or when a misallocation among client accounts occurs. The Investment Adviser endeavors to detect trade errors prior to settlement and correct them in an expeditious manner.

The Investment Adviser will use its best efforts to assure that orders are entered correctly; however, to the extent that an error occurs, it is to be (i) corrected as soon as practicable; and (ii) reported to the Compliance Officer. The Investment Adviser is responsible for its own errors and not the errors of other persons, including third-party broker-dealers and custodians, unless otherwise expressly agreed to by the Investment Adviser.

Trades that are simply misallocated to the wrong account ("trade misallocations") and are discovered prior to settlement date shall be reallocated to the originally intended account at the price of the original trade. If an error (other than a trade misallocation) is discovered on the trade date or thereafter, the trade shall be broken, if possible. If the executing broker-dealer cannot break the trade, the error should be reported to the Compliance Officer, who will investigate the matter and determine an appropriate resolution, which may include allocating the trade (and its correcting trade) to the Investment Adviser's error account maintained at the executing broker-dealer or to a client account.

After a complete investigation and evaluation of the circumstances surrounding an error, the Compliance Officer has discretion to resolve a particular error in a

manner other than specified in these procedures. Any errors resulting from unique circumstances shall be resolved on a case-by-case basis. In either event, an explanatory memorandum will be prepared and maintained by the Compliance Officer.

## **B. Brokerage Procedure**

### **1. Allocations of Trades and Investment Opportunities**

Certain inherent conflicts of interest arise from the fact that the Investment Adviser, the Manager, Cevian Malta, Cevian Capital AB, Cevian Capital AG and their respective affiliates provide management, investment management and investment advisory services, as applicable, to the Funds and may carry on investment activities for other clients including, without limitation, other investment funds, client accounts and proprietary accounts (any of whom may be investors in the Funds), in which the Funds will have no interest and whose respective investment programs may or may not be substantially similar. The portfolio strategies employed for such other investment programs could conflict with the transactions and strategies employed in managing the Funds' portfolios and affect the prices and availability of the securities and instruments in which the Funds invest. Conversely, participation in specific investment opportunities may be appropriate, at times, for both a Fund and the other investment programs. In such case, participation in such opportunities will be allocated by the Investment Adviser on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, and the respective investment programs and portfolio positions of the relevant Fund and the other investment programs. Such considerations may result in allocations of certain investments on other than *apari passu* basis.

From time to time, the Investment Adviser may identify opportunities it deems attractive to acquire interests in companies exceeding the amount it believes is appropriate for a Fund to acquire. Additionally, the Investment Adviser may identify situations where it believes the position of a Fund in an intended investee company would be enhanced were such Fund's position to be accompanied by that of an additional co-investor receiving advice from or managed by the Investment Adviser. In such circumstances, one or more co-investment vehicles managed by the Investment Adviser may be utilized to acquire such investments. Certain investors in the Funds may be offered an opportunity to invest, in the Investment Adviser's discretion, in such co-investment vehicles. The Investment Adviser will typically utilize such co-investment vehicles when it, in its sole judgement, believes their use may be in the interests of the relevant Fund. The allocation of an investment opportunity between a Fund and the co-investment vehicles will be determined in the sole discretion of the Investment Adviser in accordance with market practice and as may in the opinion of the Investment Adviser be deemed fair and reasonable. Such considerations may result in allocations of certain investments on other than *apari passu* basis and, in some cases, a Fund may not participate fully in a particular co-investment opportunity. There can be no assurance that the use of co-investment vehicles and the investment practices relating thereto will achieve a positive impact on the Funds' investment portfolios.

The Investment Adviser is committed to allocating investment opportunities on a fair and equitable basis, and in a manner that is consistent with the investment objectives of each of the Funds they manage. This general approach, however, may be subject to change based on a number of factors.



The Investment Adviser endeavors to allocate investment opportunities among its clients fairly and equitably, to the extent possible, over time. Consistent with this policy, the Investment Adviser generally manages its clients' accounts on *pari passu* basis and makes investment decisions among client accounts on *pro rata* basis in proportion to the relative size of each client's account. The Investment Adviser also may take into account a variety of the other factors such as the available cash for each Fund, the tax consequences of a particular investment, and legal restrictions such as those that may arise in foreign jurisdictions. With respect to allocations of limited investment opportunities, such as privately placed securities and initial public offerings of securities, the Investment Adviser will determine which Funds are eligible to participate in those opportunities. Limited investment opportunities will generally be allocated among all eligible Funds in proportion to their relative capital balances in accordance with the procedures set forth above. Funds without sufficient available capital will not participate. In certain circumstances, the Investment Adviser may give added weight to those Funds whose investment programs are responsible for obtaining the investment opportunity when allocating limited investment opportunities.

## **2. Order Aggregation and Average Pricing**

The Investment Adviser will generally execute Fund transactions on an aggregated basis when the Investment Adviser believes that to do so will allow it to obtain best execution and to negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating orders all Funds will be treated in a fair and equitable manner. The following procedures will apply to all aggregated transactions:

1. *Obtain Best Execution.* The Investment Adviser will not aggregate orders unless aggregation is consistent with our duty to obtain best execution (as interpreted by the SEC) and the terms of the investment guidelines and restrictions of each Fund for which trades are being aggregated.

2. *Fair Treatment.* No Fund will be favored over any other Fund; each Fund that participates in an aggregated order will participate at the average price for all of the Investment Adviser's transactions in that security on a given business day, with transaction costs shared *pro rata* based on each Fund's participation in the transaction.

3. *Partial Fills.* On occasion, the Investment Adviser will not be able to purchase or sell all of the securities ordered as part of an aggregated order in a single day. If the order is partially filled, it will generally be allocated *pro rata* in proportion to the size of the orders placed for each Fund to the extent practicable.

4. *Records Maintenance.* The Investment Adviser's books and records will separately reflect, for each Fund, all aggregated orders in which the Fund participated and all securities held by, and bought and sold for, that Fund.

5. *Safeguarding Fund Assets.* Each Fund's assets will be deposited with one or more custodians, and the Fund's assets will not be held collectively any longer than is necessary to settle the purchase or sale in question; cash or securities held collectively for Funds will be delivered to the custodian as soon as practicable following settlement.

6. *No Additional Compensation.* The Investment Adviser will receive no additional compensation of any kind as a result of an aggregated order.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

#### **A. Frequency and Nature of Review of Client Accounts or Financial Plans**

The Investment Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by the members of the Investment Adviser's board of directors, investment officers and the employees of Cevian AB and Cevian AG.

#### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review**

A review of a client account may be triggered by any unusual activity or special circumstances.

#### **C. Content and Frequency of Account Reports to Clients.**

The Investment Adviser generally provides annual audited financial statements to its clients as soon as practicable after the applicable client's fiscal year end.

Investors in the Funds receive an individual net asset value statement each month and a short letter each quarter. The Investment Adviser provides certain investors with information on a more frequent and detailed basis if agreed to by the Investment Adviser. In addition, the Investment Adviser issues investors tax reports and annual audited financial statements concerning their respective Funds.

In addition, the Investment Adviser's personnel may participate in monthly portfolio reviews with Fund investors at the Investment Adviser's discretion, which are attended by the appropriate members of the Investment Adviser's investment staff.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Clients

The Investment Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals

Neither the Investment Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

The Investment Adviser may from time to time utilize third-party placement agents which receive compensation, which may be borne either by the Investment Adviser or by an investor, for referring investors to the Funds or other investment vehicles managed by the Investment Adviser. In addition, the Investment Adviser may from time to time maintain compensation arrangements with certain of its employees that may be deemed to constitute indirect compensation in this regard.

## **ITEM 15 CUSTODY**

The Investment Adviser is deemed to have custody of client funds and securities because it acts as a general partner to the Funds under Rule 206(4)-2 under the Advisers Act (the "Custody Rule") and/or it has the authority to obtain client funds or securities.

The Investment Adviser is subject to the Custody Rule, however it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

## **ITEM 16**

### **INVESTMENT DISCRETION**

The Investment Adviser serves as the general partner with discretionary trading authority to the Master Fund, the Domestic Fund, the Co-Investment Fund and the Co-Investment Fund No 3. The Manager has discretionary trading authority to the Offshore Fund. The Investment Adviser's and Manager's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents. The Investment Adviser and Manager's or an affiliate of the Investment Adviser or Manager entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which the Investment Adviser or an affiliate of the Investment Adviser was granted discretionary trading authority.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

#### **A. Policies and Procedures Relating to Voting Client Securities**

The focus of the Investment Adviser's investment program is in the Nordic and Northern European areas. The Investment Adviser does not expect to purchase or hold any U.S. securities for the Funds and, therefore, the Investment Adviser does not foresee having to comply with Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. However, to the extent that the Investment Adviser might purchase U.S. securities the following paragraph will be applicable:

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies") in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

The Investment Adviser may take into account all relevant factors, as determined by the Investment Adviser in its discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, the Investment Adviser may refrain from voting Proxies where the Investment Adviser believes that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its clients. Generally, clients may not direct the Investment Adviser's vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on the one hand and the Investment Adviser or its affiliates on the other hand. If the Investment Adviser determines that it may have, or is perceived to have, a conflict of interest when voting Proxies, the Investment Adviser will vote in accordance with its Proxy voting policies and procedures. Clients may obtain a copy of the Investment Adviser's Proxy voting policies and its Proxy voting record upon request.

From time to time, the Investment Adviser may receive notices regarding class action lawsuits involving securities that are or were held by the Funds. As a matter of policy, the Investment Adviser refrains from serving as the lead plaintiff in class action matters and also refrains from submitting proofs of claim where the Investment Adviser believes that either the recovery amounts are likely to be negligible or the Investment Adviser cannot be assured of confidential treatment of the data submitted in connection with the proof of claim. As a result, the Investment Adviser, in most cases, does not participate in class action law suits.

**ITEM 18**  
**FINANCIAL INFORMATION**

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.