

ValueAct SmallCap Management, L.P.

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of ValueAct SmallCap Management, LP (“ValueAct SmallCap” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 415-362-3700. 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.

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

Material Changes

This Form ADV, Part 2A has been updated since the last annual update to provide updates regarding the wind down of ValueAct SmallCap and liquidation of the SmallCap Fund. ValueAct SmallCap believes that the following changes are material:

- Effective June 1, 2012 the general partner has agreed to waive all management fees and performance allocations;
- Mr. David Lockwood now serves as Chief Executive Officer of a public company; and
- The liquidation of the SmallCap Fund may include distributions of the securities of one portfolio holding in-kind.

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Advisory Business

ValueAct SmallCap was founded in January 2007 and is owned 25% or more by Mr. David Lockwood.

ValueAct SmallCap Management, LLC serves as the general partner of ValueAct SmallCap and is owned 25% or more by each of Mr. David Lockwood and ValueAct Holdings, L.P. (“VA Holdings”). None of the members of VA Holdings own 25% or more of ValueAct SmallCap.

As of March 1, 2013 the Company managed \$27,195,401 of regulatory assets under management on a discretionary basis on behalf of three clients, including one master fund and two feeder funds.

ValueAct SmallCap provides discretionary investment advice and management services to private investment funds (“private funds”), which may be organized as domestic or foreign limited partnerships. ValueAct SmallCap’s private funds conduct their trading activities through a master-feeder structure. In a master-feeder structure, each feeder fund contributes its investible assets to a master fund and participates on a pro rata basis in the profits and losses of the master fund and bears a pro rata portion of the expenses of the master fund, based on the respective capital account balances of all private funds investing through the master fund. An affiliate of ValueAct SmallCap, VA SmallCap Partners, LLC, serves as the general partner to each domestic feeder fund, offshore feeder fund, and master fund.

Each private fund is managed only in accordance with its own investment objectives and is not tailored to any particular private fund investor (each an “investor”). ValueAct SmallCap currently manages one family of private funds (the “SmallCap Fund”), which employs long-term concentrated active value investing in a select number of small and micro-capitalization companies. ValueAct Capital Management, L.P. (“ValueAct Capital”), which owns a 10% economic interest in ValueAct SmallCap, manages a private fund family (the “AllCap Fund”) that historically has invested approximately 80% of its assets in a private fund family managed by ValueAct Capital that employs long-term concentrated active value investing in a select number of companies that typically have a market capitalization of \$1 billion - \$15 billion (the “Legacy Fund”), and approximately 20% of its assets in the SmallCap Fund, which invested in companies with a market capitalization smaller than those in which the Legacy Fund invests. However, ValueAct SmallCap is in the process of winding down its operations and the SmallCap Fund is in the process of liquidating its remaining assets. Pending the completion of the liquidation of the SmallCap Fund, the AllCap Fund will invest its assets entirely in the Legacy Fund.

Information about each private fund can be found in its offering documents, including its *Confidential Memorandum* (“CM”). However, the private funds rely on certain registration exemptions available under the Investment Company Act of 1940, as amended (“IC Act”), and the Securities Act of 1933, as amended (“Securities Act”). **This brochure is designed solely to provide information about ValueAct SmallCap and should not be considered to be an offer of interests in any ValueAct SmallCap private fund.**

Fees and Compensation

ValueAct SmallCap and/or the general partners of the private funds have the authority to (1) deduct management and performance-based fees from the assets of the private funds from the assets of the private funds, and (2) authorize the payment of other fees/expenses to third-parties from the assets of the private funds.

Management Fees

Effective June 1, 2012 the general partner has agreed to waive all management fees.

Investment personnel of ValueAct SmallCap serve on the board of directors of public and private companies, including the remaining public portfolio company in which the private funds have an investment position. In the case of portfolio companies, ValueAct SmallCap's investment personnel will give any directors' fees to the Company, which historically have been used to offset the management fees paid by the private funds. In addition, ValueAct SmallCap historically has given to the master fund any stock options or other compensation received by the Company's investment personnel in connection with serving on the boards of directors of portfolio companies. Finally, ValueAct SmallCap historically has offset the management fees paid by the private funds in the amount of any transaction or monitoring fees paid to ValueAct SmallCap or its affiliates in connection with a private fund's investment activities. Any fees or other compensation historically used to offset management fees that relates to the remaining portfolio holding will be used to pay expenses of the SmallCap Fund. Any offset amounts that exceed the SmallCap Fund's expenses will be distributed to investors in connection with the wind down.

Performance-Based Fees

Please see the "Performance-Based Fees and Side-by-Side Management" section.

Private Fund Expenses

The feeder funds bear their own expenses as well as a pro rata share of the associated master fund's expenses including, but not limited to, taxes, organizational expenses, offering expenses, and trading-related expenses (e.g., commissions and brokerage charges, other prime brokerage fees, clearing expenses, interest expenses, stock borrow fees, and related expenses),¹ all investment-related travel expenses, government expenses, administrative expenses, legal expenses, compliance expenses, accounting expenses, research and market data expenses, compensation to consultants engaged to evaluate and appraise portfolio investments, audit and tax preparation expenses, corporate licensing expenses, custodial fees, regulatory filing fees, indemnification expenses, insurance premiums, and other ordinary and extraordinary expenses associated with the operation of the feeder funds and their associated master fund. ValueAct SmallCap and/or the general partners of the private funds are authorized to incur expenses on behalf of the feeder funds and their associated master fund; when this occurs, the appropriate feeder funds and/or master fund reimburse ValueAct SmallCap and/or the general partners in the amount of such expenses.

Further information with respect to the fees and other expenses incurred by the private funds, and ultimately the underlying investors, can be found in each private fund's *CM*.

Private Fund Withdrawal Rights and Associated Fees

Because ValueAct SmallCap is in the process of winding down its operations, all redemptions have been suspended and investors will receive funds and/or securities in connection with the liquidation of the underlying assets of the SmallCap Fund.

¹ Please see the "Brokerage Practices" section below for further information about ValueAct SmallCap's brokerage practices and other trading-related matters.

Side Letters

ValueAct SmallCap has historically entered into side letter agreements with certain large or strategic investors granting them, among other things, reductions in fees, greater portfolio transparency, additional rights to reports, and more favorable redemption rights in comparison to the standard investment terms applicable to other investors per the disclosures in each private fund's CM. Side letter agreements historically have included, among other things, key man provisions, performance hurdles, restrictions with respect to permitted investment sectors, and allocations of private investments. Finally, ValueAct SmallCap historically has reserved the right to charge reduced or no investment management and performance-based fees to ValueAct SmallCap, its affiliates, employees, consultants, and their immediate family members. ValueAct SmallCap has no obligation to disclose the specific details of such arrangements or to offer such additional rights, terms, or conditions to all investors.

Performance-Based Fees and Side-by-Side Management

Effective June 1, 2012 the general partner has agreed to waive the performance allocation. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest do not apply to ValueAct SmallCap, which only has one private fund family which no longer incurs performance-based fees.

Types of Clients

ValueAct SmallCap provides investment advisory services to private funds, which are generally organized as limited partnerships under the laws of the State of Delaware or another appropriate jurisdiction or, in the case of offshore private funds, as limited partnerships under the laws of the British Virgin Islands. ValueAct SmallCap expects each private fund to qualify for exemption from the definition of "investment company" under the IC Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereunder, and to offer interests to investors pursuant to Regulation D or Regulation S under the Securities Act. As a result, this disclosure brochure discusses information relevant to such investors, as necessary or appropriate. **This brochure is designed solely to provide information about ValueAct SmallCap and should not be considered to be an offer of interests in any ValueAct SmallCap private fund.**

Private fund investors may include high net worth individuals and a variety of institutional investors (*e.g.*, trusts, employee benefit plans, endowments, foundations, corporations, and other types of entities, including private funds of funds) meeting the terms of the exceptions and exemptions under which the private fund operates.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategy

ValueAct SmallCap's investment strategy is to take a private equity-like approach to investing in the public markets. ValueAct SmallCap concentrates primarily on acquiring significant ownership stakes in publicly traded companies through open-market purchases, privately

negotiated transactions, block purchases, participation in underwritten offerings, or a combination thereof. In most cases, ValueAct SmallCap then actively works to implement value-creating financial strategies and operational improvements in an attempt to generate a return substantially independent of the market. Currently, ValueAct SmallCap is in the process of winding down and has begun the liquidation of the SmallCap Fund.

Sources of Information

Although ValueAct SmallCap utilizes information, reports, and data from various external sources, including consulting arrangements with independent analysts and meetings with the management of the remaining portfolio company, its investment decision-making with respect to the accounts it manages is based primarily upon its internal research and analytical capabilities, including the research and analytical experience and expertise of its investment staff.

Material Risks

An investment in a private fund involves a number of significant risks, including, but not limited to those discussed below. Prospective investors should consult their own legal, tax and financial advisors as to all of these risks, those other risks identified in each private fund's *CM*, and an investment in a private fund generally.

Inside Information – From time to time, the members or employees of the general partner and/or ValueAct SmallCap may come into possession of material, non-public information concerning an entity in which the SmallCap Fund has invested. This is particularly relevant to ValueAct SmallCap because Mr. Lockwood serves as a director of the SmallCap Fund's remaining portfolio company. Applicable law may limit the ability of the SmallCap Fund to sell securities of the remaining portfolio company while such information remains non-public or material. The resulting illiquidity may result in delays and additional costs and transactions may be possible only at substantial discounts.

Reliance on the SmallCap Fund General Partner and SmallCap Fund Management Company – The general partner is responsible for the overall management of the SmallCap Fund. ValueAct SmallCap is responsible for selecting and monitoring investments of the SmallCap Fund. The quality of the decisions of ValueAct SmallCap will determine the SmallCap Fund's success or failure. Investors will not have an opportunity to select or evaluate any investment, or to review the related securities positions at any time.

Dependence on Key Individuals –If ValueAct SmallCap were to lose the services of Mr. David Lockwood, the consequence to the SmallCap Fund could be material and adverse.

Small Capitalization Stocks – The SmallCap Fund invests substantially all of its assets in the equity securities of companies with small market capitalizations. While ValueAct SmallCap believes they provide significant potential for appreciation, those stocks involve higher risks in some respects than do investments in stocks of larger companies.

Concentration of Investments – The SmallCap Fund's investment portfolio is currently confined to the securities of one issuer. As a result of this lack of diversification, a significant loss in the

remaining issuer, or a material economic, regulatory or other change affecting a particular industry, may have a material adverse effect on the performance of the SmallCap Fund.

Risk of Realization of Investments and Limited Liquidity of Some Portfolio Securities –

There is a significant risk that the SmallCap Fund will be unable to realize its investment objectives by the sale or other disposition of the remaining portfolio company at an attractive price or that it will otherwise be unable to complete any exit strategy from the remaining portfolio company. The securities may be thinly traded and relatively illiquid, even if they are publicly traded. Mr. Lockwood serves on the board of directors of the remaining portfolio company. Therefore, the SmallCap Fund and/or ValueAct SmallCap may be deemed to be “affiliates” or “control” persons with respect to that portfolio company. Significant legal or practical limitations may inhibit the SmallCap Fund’s ability to liquidate such investments promptly, which could adversely affect its gain or loss on the investment. The sale of the remaining portfolio company investment may be subject to delays and additional costs and may be possible only at substantial discounts.

Investment and Trading Risks – The SmallCap Fund will invest substantially all available capital in securities, especially in equity securities. Equity markets in general are subject to fluctuations, and fluctuations are often greater within certain sectors (technology, for example). Furthermore, fluctuations tend to be greater for securities that have limited liquidity, and a relatively low per-share price. No assurance can be given that the investment portfolio will generate any income or appreciate in value or avoid substantial losses.

Disciplinary Information

ValueAct SmallCap and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s evaluation of the company or its personnel. However, please note the following with respect to ValueAct Capital, which holds a non-controlling economic interest in ValueAct SmallCap, and its employees:

SEC Investigation – In March 2008 the U.S. Securities and Exchange Commission (“SEC”) commenced an investigation into irregular trading patterns of certain individuals connected with ValueAct Capital’s former CFO. Upon learning of that investigation, ValueAct Capital suspended the former CFO, who later resigned in June 2008, and alerted its investors. ValueAct Capital cooperated fully with the investigations of the SEC and, subsequently, the U.S. Attorney's Office for the Northern District of California (“USAO”). In January 2009 the SEC issued a “No Action” letter to ValueAct Capital, indicating that ValueAct Capital was not implicated in any way with the alleged conduct of individual defendants. On October 30, 2009, the SEC filed a complaint against seven individuals, including the former CFO, alleging he shared inside information with his brother-in-law, who in turn tipped certain friends and family members. ValueAct Capital's name did not appear in the SEC complaint. On March 7, 2013, the court entered final judgments that were consented to by four defendants, including the former CFO. As a result of the final judgment entered against him, the former CFO, without admitting or denying the allegations against him, will be permanently enjoined from violating certain U.S. securities laws and will pay a civil penalty of \$62,545.66. The former CFO’s brother-in-law, but not ValueAct Capital's former CFO, was charged by the USAO on February 5, 2010 with conspiracy

to commit securities fraud and securities fraud in connection with the alleged insider trading, and the charges describe the former CFO and others as co-conspirators. On April 15, 2010 the brother-in-law pleaded guilty to insider trading charges and asserted, in connection with that plea, that he received certain inside information from the former CFO. The brother-in-law was sentenced on February 28, 2013 to one year in prison and three years of probation.

Federal Trade Commission Settlement -- The U.S. Department of Justice on behalf of the Federal Trade Commission filed and accepted a settlement entered into with ValueAct Capital on December 19, 2007. The allegations related to this regulatory action include failing to comply with the premerger reporting and waiting period requirements of the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976. In settlement of the allegations, ValueAct Capital paid a civil penalty of \$1.1 million, which, along with all legal expenses advanced by ValueAct Capital in connection with such investigation, was reimbursed entirely by a third party. ValueAct Capital had no financial exposure arising from the FTC investigation. The settlement and FTC's investigation did not place ValueAct Capital under any limitations in its present or future investment activities.

Other Financial Industry Activities and Affiliations

VA SmallCap Partners, LLC, an affiliate of ValueAct SmallCap, serves as the general partner of the domestic and offshore feeder funds and the master fund.

In addition, ValueAct Capital, which holds a non-controlling economic interest in ValueAct SmallCap, is an investment adviser that manages its own private fund families. Two of ValueAct Capital's private funds, one onshore feeder fund and one offshore feeder fund, (the AllCap Funds), historically have invested 20% of their investors' capital in the master fund managed by ValueAct SmallCap. As mentioned previously, ValueAct SmallCap is in the process of winding down its operations and the SmallCap Fund is in the process of liquidating or distributing in-kind its remaining assets.

ValueAct SmallCap has entered a Services Agreement with ValueAct Capital, which provides that in connection with ValueAct SmallCap's management of, and provision of advisory services to, private investment vehicles, ValueAct Capital will provide ValueAct SmallCap with the following functions at no cost: accounting, finance, legal, compliance, investor relations, capital raising, trading, and facilities management at the San Francisco office location. In connection with the Services Agreement, certain employees of ValueAct Capital direct, control, and coordinate the aforementioned mid- and back-office functions of ValueAct SmallCap. Any third party expenses incurred in connection with such functions for the benefit of ValueAct SmallCap shall be billed to ValueAct SmallCap at cost. Shared expenses between ValueAct SmallCap and ValueAct Capital shall be allocated and billed pro-rata in the good faith determination of ValueAct Capital.

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

ValueAct SmallCap and/or its employees may give advice and take action for their own accounts or the private funds that may differ from advice given and action taken on behalf of the private

funds. In addition, ValueAct SmallCap's employees may invest in third-party private investment funds that invest in some of the same securities ValueAct SmallCap invests in on behalf of the private funds. Further, from time to time, ValueAct SmallCap's employees may have an investment position or interest in the same securities recommended to or owned by the private funds. As such, ValueAct SmallCap may purchase or sell for the private funds securities of an issuer in which ValueAct SmallCap's employees also have an investment position or interest. Finally, ValueAct SmallCap's employees may hold an interest in securities prior to the private funds initiating a position in such securities.

Allowing employees to hold or trade the same securities as the private funds presents various potential conflicts of interest. For example, employees could theoretically attempt to time their personal trades to benefit from any potential impact the private funds' trades might have on the price of a security or otherwise attempt to obtain a more favorable purchase, sale, short, or cover price than the private funds obtain. In addition, employees and the private funds could potentially take opposing positions (i.e., an employee account takes a long position when a private fund account takes a short position, or vice versa) and thus the employee could potentially experience a conflict between acting in his/her own best interest versus the private funds' best interest. Further, employees could devote excessive time/use limited resources towards managing their personal trading accounts and thus neglect the private funds' accounts. Finally, employees may have an incentive to cause the private funds to invest in companies in which the employees already have an interest, especially if the employees believe that such an investment by the private funds may increase the value of their personal stake.

As these situations may represent a potential conflict of interest, ValueAct SmallCap has adopted a code of ethics (see "Code of Ethics" section below) and implemented procedures relating to personal securities transactions and insider trading that are designed to detect and prevent (or otherwise mitigate) actual conflicts of interest. The Chief Compliance Officer ("CCO") or her designee, among other things, monitors employee trading relative to the private funds' holdings/trading, companies with which ValueAct SmallCap has a nondisclosure or standstill agreement in place, and companies where ValueAct SmallCap or its employees may have received material nonpublic information to ensure that employees do not engage in improper personal securities transactions and to otherwise detect and prevent potential conflicts of interest.

Code of Ethics ("Code")

ValueAct SmallCap and its affiliates have adopted the Code in accordance with Rule 204A-1 under the Advisers Act to govern, among other things, personal securities transactions by employees and to ensure that the interests of employees do not conflict with the interests of clients, including private funds, and their underlying investors. A basic tenant of ValueAct SmallCap's Code is that the interest of clients is always placed first. The Code includes standards of conduct requiring ValueAct SmallCap's employees to comply with federal securities laws and the fiduciary duties an investment adviser owes to its clients.

Under the Code, employees designated as access persons are generally prohibited from purchasing or selling securities except for the following: exchange traded funds, futures, mutual funds (provided they are not managed by, or otherwise affiliated with ValueAct SmallCap or ValueAct Capital) and other exempt securities outlined in the Code, such as treasury securities. Under the

Code, no access person may engage in a transaction in any security of any company when one or more individuals at ValueAct Capital or ValueAct SmallCap may have material, non-public information. Current access persons with existing positions in such Restricted Securities² owned as of August 1, 2010 or new access persons holding any such Restricted Securities as of the date of their employment may sell such positions, but must pre-clear their sales through the CCO.

The Code also requires access persons to pre-clear any transactions in securities acquired in any initial public offering or limited offering (e.g., investments in private investment funds). All access persons must provide to ValueAct SmallCap quarterly reports of their personal transactions within 30 days of the end of each calendar quarter, which may consist of monthly brokerage statements for all accounts in which they have a beneficial interest, except for accounts that only hold securities exempt from the reporting requirements.

The Code also requires all employees of ValueAct SmallCap to comply with ethical restraints relating to investors and their accounts, including restrictions on giving gifts to, and receiving gifts from, investors in violation of the Company's gift policy as well as provisions intended to prevent violations of laws prohibiting "insider trading", as discussed below.

Statement on Insider Trading

ValueAct SmallCap and/or its employees may, from time to time, come into possession of material nonpublic or other confidential information which, if disclosed, might affect an investor's decision to buy, sell, or hold a security. Under applicable law, ValueAct SmallCap and its employees may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other third party. Accordingly, should ValueAct SmallCap and/or its employees come into possession of material nonpublic or other confidential information with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of, the Company's clients and their underlying investors. ValueAct SmallCap has adopted a Statement on Insider Trading ("insider trading policy") in accordance with Section 204A under the Advisers Act, which establishes procedures to prevent the misuse of material nonpublic information by ValueAct SmallCap and its employees.

A copy of the Code and insider trading policy is available to any investor or prospective investor upon request by contacting ValueAct Capital at 415-362-3700.

Participation by ValueAct SmallCap Personnel in Private Fund Profits

Certain partners and other employees of ValueAct SmallCap and ValueAct Capital are permitted to invest directly in the private funds and will participate in the private funds' investments, pro rata, in accordance with their capital account balances. In addition, ValueAct SmallCap and

² The term "**Restricted Securities**" shall include (i) securities other than mutual funds, exchange traded funds, futures, private investment funds, private issuers, and non-reportable securities; (ii) securities of issuers with which ValueAct Capital or ValueAct SmallCap has a confidentiality agreement in place that restricts trading activity; (iii) securities of issuers on the ValueAct Capital and ValueAct SmallCap Restricted List; and (iv) the securities of any issuer as to which one or more individuals at ValueAct Capital or ValueAct SmallCap may have material, non-public information.

ValueAct Capital partners hold interests in the general partners and management companies of the private funds and in this manner share in revenue generated by the private funds (e.g., performance allocation and management fee revenue). Finally, investments by ValueAct SmallCap and ValueAct Capital employees and their family members are generally not subject to the management fees or performance fees incurred by investors in the private funds.

Outside Business Activities

Mr. Lockwood has taken a position as the CEO of one of the former portfolio companies of the SmallCap Fund. Since Mr. Lockwood is working full time at the former portfolio company as the CEO, the time he has available to devote to the management of the SmallCap Fund is reduced.

David Lockwood serves on the board of directors of public companies, including the remaining portfolio company. Mr. Lockwood will continue to work in the best interest of the SmallCap Fund to liquidate this remaining position.

From time to time, the members or employees of the general partner and/or ValueAct SmallCap may come into possession of material, non-public information concerning an entity in which the SmallCap Fund has invested. This is particularly relevant to ValueAct SmallCap because Mr. Lockwood serves as a director of the remaining portfolio company of the SmallCap Fund. Applicable law may limit the ability of the SmallCap Fund to buy or sell securities of such entity while such information remains non-public or material. The resulting illiquidity may result in delays and additional costs and transactions may be possible only at substantial discounts.

Brokerage Practices

Prime Broker

ValueAct SmallCap has selected a prime broker (“prime broker”) to hold the funds and securities of, and execute transactions for, the private funds, consistent with its duty to seek to achieve best execution. In addition to custody and execution, the prime broker may provide other core functions (including, but not limited to, reporting, clearing, financing, securities lending, and client service) as well as value-added items (including, but not limited to, advanced research and analytics and technology services) to the private funds. In selecting the prime broker, ValueAct SmallCap also considered other specific services to the private funds (including, but not limited to, electronic access to account information and trade confirmations and access to specialized customer service personnel) that it believes will allow the private funds to operate effectively and efficiently. ValueAct SmallCap is not required to maintain its relationship with the selected prime broker and may change or add additional prime brokerage relationships at any time.

Selection of Brokers

ValueAct SmallCap’s investment strategy has centered on the acquisition of large ownership stakes in a limited number of companies where ValueAct SmallCap sought a multi-year investment opportunity. Therefore, for ValueAct SmallCap, best execution has tended to be different from many other strategies that are much more trading intensive due to their larger number of positions and shorter holding periods. ValueAct SmallCap’s research generally results in a price range in which ValueAct SmallCap is willing to acquire and eventually sell a position.

Traders are given price parameters to fill/sell the position over a period of time, being cognizant of daily price fluctuations that may have nothing to do with the fundamental investment thesis. Therefore, the trader's focus is on receiving an optimal blend of size, price, and confidentiality rather than focusing mainly on price.

Currently, ValueAct SmallCap is in the process of winding down and the SmallCap Fund is in the process of liquidating its remaining assets. Within this context, it is the policy of ValueAct SmallCap to seek best execution for its client accounts. In fulfilling its duty to seek best execution, ValueAct SmallCap seeks to obtain the most favorable terms for each transaction reasonably available under the circumstances. In placing brokerage, ValueAct SmallCap considers the full range and quality of a broker-dealer's services including, among other things, the value of research provided, execution capability, the overall quality of execution, confidentiality, the commission rate charged, and responsiveness of the broker-dealer. In the context of liquidating the assets of the SmallCap Fund, ValueAct SmallCap expects to place less emphasis on the research provided by broker-dealers and more emphasis on available liquidity, market impact, and confidentiality in selecting the broker-dealers used to execute trades.

It is not always possible to place a dollar value on the execution or research services ValueAct SmallCap receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by ValueAct SmallCap may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if ValueAct SmallCap determines in good faith that such amounts are reasonable in relation to the value of the brokerage, execution, and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or ValueAct SmallCap's overall duty to client accounts. However, ValueAct SmallCap considers research to have little or no weight as a factor in broker-dealer selection due to the liquidation of the SmallCap Fund.

ValueAct SmallCap has negotiated a uniform commission rate schedule across a substantial portion of the brokers it uses. When deemed appropriate due to overall best execution considerations, ValueAct SmallCap may execute trades through ECNs at a rate lower than the aforementioned negotiated commission rate. The determination and evaluation of the reasonableness of the brokerage commissions paid in connection with portfolio transactions are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type.

Certain employees of ValueAct Capital (which is an affiliate of and provides services to ValueAct SmallCap) have relatives that work for broker-dealers and, as registered representatives of a broker-dealer, such individuals may receive compensation relating to trades executed by ValueAct SmallCap through that broker-dealer. While this may represent a potential conflict of interest involving ValueAct SmallCap's selection of broker-dealers, ValueAct SmallCap may not and does not consider familial relationships in determining where to execute transactions on behalf of clients. In order to mitigate this, and any other potential conflicts of interest detected or reported, ValueAct SmallCap uses a Trading and Best Execution Committee to oversee the Company's

trading practices, including best execution, investment allocation and soft dollar arrangements. In addition, ValueAct SmallCap's trader must consider the execution quality of each trade and report to the CCO any unexpected deviations in price, commission rate, market impact, execution speed, or other aspects of execution quality.

Soft Dollars

In allocating brokerage, ValueAct SmallCap has historically taken into consideration the receipt of brokerage and research products and services as long as such consideration does not jeopardize the objective of seeking best execution in connection with the transaction. When appropriate under its discretionary authority and consistent with the duty to seek best execution, ValueAct SmallCap has historically directed brokerage transactions for client accounts to broker-dealers who provide ValueAct SmallCap with such products and services. The brokerage commissions used to acquire such products and services in these arrangements are known as "soft dollars." As the SmallCap Fund is in the process of liquidating and ValueAct SmallCap is in the process of winding down its operations, research will have little or no weight as a factor in broker-dealer selection due to the liquidation of the SmallCap Fund. ValueAct SmallCap does not intend to pay up to receive peripheral benefits such as research during the liquidation of the SmallCap Fund.

An adviser receives soft dollar benefits when it receives research or other products or services other than execution services from a broker-dealer or a third party in connection with clients' securities transactions.

While ValueAct SmallCap does not currently maintain any formal soft-dollar credit generating arrangements or commission sharing arrangements, broker-dealers typically provide a bundle of services, including both research and brokerage (e.g., research ideas, investment strategies, block positioning capabilities, clearance, settlement, and custodial services). The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products and access to analysts and traders) or third-party (created by a third party but provided by broker-dealer). Broker-dealers do not generally charge separate fees for proprietary research and brokerage services. ValueAct SmallCap has historically directed brokerage transactions to acquire either type of research and execution services. However, ValueAct SmallCap is in the process of winding down its operations and the SmallCap Fund is in the process of liquidating and/or distributing in-kind its remaining assets. ValueAct SmallCap does not currently have any formal soft dollar arrangements to receive proprietary or third-party products and services. ValueAct SmallCap considers research to have little or no weight as a factor in broker-dealer selection due to the liquidation of the SmallCap Fund.

Brokerage for Referrals

This area is not applicable. ValueAct SmallCap is in the process of winding down its operations and the SmallCap Fund is in the process of liquidating and/or distributing in-kind its remaining assets.

Directed Brokerage

ValueAct SmallCap does not permit a client or investor to direct brokerage. Rather, ValueAct SmallCap has complete discretionary authority to select the broker-dealers used to execute client transactions.

Trade Aggregation and Allocation

ValueAct SmallCap's private funds generally conduct their trading activities through a master feeder structure, and thus feeder funds and the underlying investors participate in investment activities pro rata based on their respective capital account balances in the master fund. Trade allocation and aggregation do not currently apply.

Trade Error Policy

As a general practice, ValueAct SmallCap attempts to cause any broker or other service provider responsible for a trade error to reimburse affected clients for any losses resulting from the trade error. If ValueAct SmallCap causes a trade error, the Company does not reimburse its clients for any losses resulting from the error, unless the loss was the result of bad faith, gross negligence, or willful misconduct on the part of ValueAct SmallCap. In addition, ValueAct SmallCap will not compensate clients for lost opportunities associated with trade errors. Finally, if a trade error results in a gain, the gain generally will accrue to the benefit of the affected client accounts.

The limitation on ValueAct SmallCap's liability to clients for losses is described in the offering documents for the private funds. The self-assessment by ValueAct SmallCap as to whether a trade error loss resulted from bad faith, gross negligence, or will misconduct may expose ValueAct SmallCap to a potential conflict of interest. ValueAct SmallCap may have an incentive to determine that it does not have to reimburse its clients for trade error losses.

In an attempt to mitigate this conflict, ValueAct SmallCap's trade error procedures require employees to notify the CCO upon the discovery of a possible trade error. If the trade error is material in nature or cannot be easily resolved by the CCO and the trader, the CCO and/or the trader shall notify one or more members of the Compliance Committee. The relevant members of the Compliance Committee shall investigate and arrange for appropriate action to resolve the error. If deemed necessary, the members of the Compliance Committee shall consult with outside counsel regarding the resolution of the situation.

Backup Trading Arrangements

ValueAct SmallCap uses an unaffiliated broker-dealer as a backup outsourced trading solution. Per written agreement, outsourced executions cost \$.005 per share in addition to standard trading costs. ValueAct SmallCap also reserves the right to compensate a private contractor to serve as another backup trading solution. ValueAct SmallCap's private funds incur the costs associated with backup trading solutions, which the Company believes are reasonable in light of the value of the backup trading services.

Review of Accounts

Each client account is reviewed by Mr. David Lockwood generally on a weekly basis or more frequently if market circumstances warrant. Periodic account reviews consist of an analysis of opportunities to complete the liquidation of the SmallCap Fund.

Private fund investors receive written reports as described in the applicable *CM*. ValueAct SmallCap generally supplies monthly capital account balance statements and unaudited financial

statements. Each investor in onshore private funds also receives a Schedule K-1 for tax purposes; each investor in offshore private funds also receives annual tax information for the preparation of their tax returns. To comply with Rule 206(4)-2 (the “Custody Rule”) of the Advisers Act, annual audit reports are generally provided within 120 days following a private fund’s fiscal year end and as soon as practicable upon the wind down and complete liquidation of a private fund.

ValueAct SmallCap and/or the general partner of the SmallCap Fund historically has offered certain investors, upon verbal request or through written side letter agreements, additional information and reporting that other investors may not receive. ValueAct SmallCap’s CCO, CFO, COO, and/or Investor Relations Partner, as relevant, internally reviews the information provided to investors in order to detect and prevent potential concerns with respect to information flow, such as a combination of enhanced transparency and liquidity that could benefit particular investors to the detriment of other investors.

Client Referrals and Other Compensation

This item is not applicable. ValueAct SmallCap is in the process of winding down its operations and the SmallCap Fund is in the process of liquidating and/or distributing in-kind its remaining assets.

Custody

As general partner and/or investment manager of the SmallCap Fund, ValueAct SmallCap and/or its affiliates have the authority to directly access the funds or securities of the SmallCap Fund. ValueAct SmallCap and/or its affiliates have the authority to automatically deduct fees and expenses payable to ValueAct SmallCap, the general partner of the SmallCap Fund, and/or third-party service providers with respect to the SmallCap Fund by sending instructions directly to the custodian (i.e., the prime broker). In each such case, ValueAct SmallCap will be deemed to have custody of the client’s assets under the Custody Rule. ValueAct SmallCap will comply with the requirements of the Custody Rule with regard to such custody. Investors in domestic and offshore private funds will receive audited financial statements annually, prepared in accordance with generally accepted accounting principles, within 120 days after the end of the fiscal year of each such private fund and as soon as practicable upon the wind down and complete liquidation of a private fund.

Investment Discretion

ValueAct SmallCap is retained with respect to its private fund client on a discretionary basis and is authorized to make the following determinations in accordance with the private fund’s specified investment objectives without investor consultation or consent before a transaction is effected (unless consultation is required with respect to principal trades, which ValueAct SmallCap does not intend to employ as part of its standard investment strategy):

- the securities to buy or sell;
- the total quantity/amount of securities to buy or sell;

- the broker or dealer through whom securities are bought or sold;
- the commission rates at which securities transactions are effected; and
- the prices at which securities are to be bought or sold, which may include dealer spreads, mark-ups/mark-downs, and transaction costs.

ValueAct SmallCap has investment discretion over the SmallCap Fund's accounts, including the amount and price of securities bought and sold, the preferred broker-dealer, and the commission rate. Investors generally cannot place restrictions on ValueAct SmallCap's investment discretion with respect to the SmallCap Fund. However, ValueAct SmallCap has historically entered into side letter agreements with certain large or strategic investors granting them, among other things, reductions in fees, greater portfolio transparency, additional rights to reports, and more favorable redemption rights, than the terms associated with investments by other investors. ValueAct SmallCap shall have no obligation to disclose the specific details of such arrangements or to offer such additional rights, terms, or conditions to all investors.

Voting Client Securities

ValueAct SmallCap has written proxy voting policies and procedures as required by Rule 206(4)-6 under the Advisers Act. ValueAct SmallCap's policy is to vote proxies with the aim of furthering the best economic interests of its private funds, generally by promoting high levels of corporate governance and adequate disclosure of company policies and practices. Investors cannot direct ValueAct SmallCap as to how to vote in a particular solicitation. Rather, ValueAct SmallCap has outsourced the mechanics of voting proxies to a third-party service provider and the Company will generally vote proxies as directed by the portfolio manager, with assistance from analysts. ValueAct SmallCap reserves the right, on occasion, to abstain from voting a proxy or a specific proxy item when it concludes that the cost of voting outweighs the potential benefit or when the Company otherwise does not believe voting serves its private fund's best interests.

Due to the nature of ValueAct SmallCap's business and structure, ValueAct SmallCap does not believe it is likely that material conflicts of interest will arise in voting proxies of the remaining portfolio company. ValueAct SmallCap takes steps to identify the existence of any material conflicts of interest relating to the securities to be voted and/or the issues at hand. For example, ValueAct SmallCap's employees must disclose to the CCO any potential personal conflicts known to them and potential conflicts based on business relationships or dealings. In considering whether a material conflict of interest exists, the CCO may consult with outside counsel and other persons she deems relevant in making a determination.

In the absence of a finding of a material conflict of interest relating to the proxy vote at hand, the recommendation to vote the proxy as directed by the portfolio manager or to abstain from voting the proxy, shall be deemed to have been made in the best interests of ValueAct SmallCap's private fund. If, however, the CCO determines that the recommendation may have been influenced by a material conflict of interest, the proxy shall be voted in accordance with one of the following methods: (i) in the manner determined to be appropriate by the CCO in consultation with Outside Counsel, or (ii) in accordance with the recommendations of an independent third-party proxy voting service.

Investors in ValueAct SmallCap's private fund may obtain a copy of ValueAct SmallCap's written proxy voting policies and procedures as well as information on how the Company voted proxies for the private fund by requesting such information. Please contact ValueAct SmallCap at 415-362-3700.

Class Action Lawsuits

ValueAct SmallCap will complete class action documents when it believes that doing so would be in the best interests of the private funds. ValueAct SmallCap may abstain from attempting to participate in a class action lawsuit involving a portfolio company when it believes that the potential cost of participating outweighs the benefit or when the Company otherwise believes it is not in the best interest of its private funds to participate.

Financial Information

ValueAct SmallCap has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

Privacy Policy

Your privacy is very important to us. This Privacy Notice sets forth the policies of ValueAct SmallCap with respect to non-public personal information of its investors, prospective investors and former investors. These policies apply to individuals only and may be changed at any time, provided a notice of such change is given to you.

You provide us with non-public personal information, such as your address, social security number, assets, income, amounts or types of your investments, your capital account balance, other account data, and participation in investments: (i) in the Subscription Agreement and related documents or other forms or agreements; (ii) in correspondence and conversations (written, telephonic or electronic) with ValueAct SmallCap's representatives; and (iii) through transactions with us, our affiliates and non-affiliated third parties.

We do not disclose any of such non-public personal information about our investors, prospective investors or former investors to anyone, other than to our affiliates, including, but not limited to, the applicable general partner of the private funds, and except as permitted or required by law, such as to our attorneys, auditors, brokers, regulators and certain service providers, in such case, only as necessary to facilitate the acceptance and management of your investment or account. We require any such third parties to protect the confidentiality of your nonpublic personal information and to use the information only for purposes for which it is disclosed to them. In addition, it may be necessary, under anti-money laundering and similar laws, to disclose information about private fund investors (and beneficial owners of investors or other persons) in order to accept subscriptions from them. We will also release information about you if you direct or authorize us to do so, if compelled to do so by law, or in connection with any government, regulatory authority or self-regulatory organization request, inspection or investigation.

We seek to carefully safeguard your non-public personal information and, to that end, restrict access to non-public personal information about you to those employees and other persons who

need to know the information to enable ValueAct SmallCap to provide services to you. We maintain physical, electronic and procedural safeguards that comply with federal regulations to protect your non-public personal information.