

INVESTMENT ADVISER BROCHURE

AVISTA CAPITAL HOLDINGS, L.P.

**65 East 55th Street, 18th Floor
New York, NY 10022**

www.avistacap.com

March 20, 2014

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Avista Capital Holdings, L.P., a Delaware limited partnership (“Avista Capital Holdings”). If you have any questions about the contents of this Brochure, please contact us at 212-593-6900 or info@avistacap.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 authority.

Avista Capital Holdings is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Avista Capital Holdings is also available on the SEC’s website at www.adviserinfo.sec.gov.

TABLE OF CONTENTS

	<u>Page</u>
Material Changes	1
Advisory Business	2
Fees and Compensation.....	5
Performance-Based Fees and Side-By-Side Management	11
Types of Clients.....	12
Methods of Analysis, Investment Strategies and Risk of Loss.....	12
Disciplinary Information.....	19
Other Financial Industry Activities and Affiliations.....	19
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	20
Brokerage Practices	21
Review of Accounts	23
Client Referrals and Other Compensation.....	23
Custody	24
Investment Discretion	24
Voting Client Securities.....	24
Financial Information.....	24
Supplemental Information About Certain Principals of Avista Capital Holdings.....	25

MATERIAL CHANGES

This Brochure contains material changes to the Form ADV Part 2 filed by Avista Capital Partners on January 6, 2014 (the “**Prior Brochure**”). Immediately below is a discussion of such material changes. Such discussion sets forth only material changes to the Prior Brochure.

This Brochure reflects the following material changes to the Prior Brochure: (1) changes to the amounts of assets under management; and (2) the addition of a new Avista Co-Investment Fund (as defined below).

ADVISORY BUSINESS

Avista Capital Partners is a private investment management firm, including a registered investment advisory entity and other affiliated organizations affiliated with Avista Capital Holdings, L.P., a Delaware limited partnership (“**Avista Capital Holdings**” and, together with such affiliated organizations, collectively, “**Avista**”), that manages approximately \$6.8 billion in private fund assets.¹ Avista commenced operations in May 2005.

Avista Capital Holdings is a registered investment adviser that commenced operations in May 2005. Avista Capital Holdings and its affiliated investment advisers, Avista Capital Partners GP, LLC (“**ACP I GP**”), Avista Capital Partners II GP, LLC (“**ACP II GP**”), Avista Capital Partners III GP, L.P. (“**ACP III GP**”), and together with ACP I GP and ACP II GP, the “**General Partners**”) and Avista Capital Europe LLP (“**AC Europe**”, and together with Avista Capital Holdings and the General Partners, the “**Advisers**”) provide investment advisory services to private investment funds. Each of the General Partners and AC Europe is registered under the Advisers Act pursuant to Avista Capital Holdings’ registration in accordance with SEC guidance. This Brochure also describes the business practices of each Adviser, which operate as a single advisory business together with Avista Capital Holdings.

Avista Capital Holdings serves as the management company of Fund I, Fund II and Fund III pursuant to the Management Agreements (defined below). (See below for a list of the funds comprising Fund I, Fund II and Fund III funds; Fund I, Fund II and Fund III each, a “**Fund**,” collectively, the “**Funds**” and together with any future private investment fund managed by Avista Capital Holdings, the “**Private Investment Funds**”.) In its capacity as the management company of the Funds, Avista Capital Holdings has the authority to manage the business and affairs of the Funds.

The Funds and any other Private Investment Funds are private equity funds and invest through negotiated transactions in operating entities. Avista Capital Holdings’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted subject to certain limitations set forth in the applicable Fund’s limited partnership agreement (each, a “**Limited Partnership Agreement**”). From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Avista Capital Holdings or its affiliates may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over the management of a Fund’s portfolio companies.

ACP I GP, a Delaware limited liability company, is the general partner of the private funds listed below (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Fund I**”).

- Avista Capital Partners, L.P., a Delaware limited partnership
- Avista Capital Partners (Offshore), L.P., a Bermuda exempted limited partnership

¹ As of December 31, 2013.

For the sake of clarity, unless otherwise indicated, references in this Brochure to “Fund I” include each of the above-named private funds. While the substantial majority of the terms of each above named fund are the same, each of such funds was formed to suit the purposes of certain types of investors (*e.g.*, U.S. tax-exempt investors, non-U.S. investors, etc.) so there are slight variations in structure and investment terms among the funds. Investors should refer to the private fund’s Limited Partnership Agreement for specific terms with respect to that private fund.

Additionally, ACP I GP is the manager of each of the following co-investment funds (collectively, the “**Fund I Co-Investment Funds**”), which was formed for the purpose of investing side-by-side with Fund I in a certain portfolio company investment of Fund I at the same time and on the same terms on a *pro rata* basis based on relative commitment sizes of Fund I and the relevant Fund I Co-Investment Fund.

- ACP VWR Holdings, LLC, a Delaware limited liability company
- Navilyst Medical Co-Invest, LLC, a Delaware limited liability company
- ACP Lantern Co-Invest, LLC, a Delaware limited liability company
- ACP Nycom Holdings, LLC, a Delaware limited liability company
- ACP Racecar Co-Invest, LLC, a Delaware limited liability company

ACP II GP, a Delaware limited liability company, is the general partner of the private funds listed below (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Fund II**”).

- Avista Capital Partners II, L.P., a Delaware limited partnership (“**Onshore Fund II**”)
- Avista Capital Partners (Offshore) II, L.P., a Bermuda exempted limited partnership
- Avista Capital Partners (Offshore) II-A, L.P., a Bermuda exempted limited partnership

For the sake of clarity, unless otherwise indicated, references in this Brochure to “Fund II” include each of the above-named private funds. While the substantial majority of the terms of each above named fund are the same, each of such funds was formed to suit the purposes of certain types of investors (*e.g.*, U.S. tax-exempt investors, non-U.S. investors, etc.) so there are slight variations in structure and investment terms among the funds. Investors should refer to the private fund’s Limited Partnership Agreement for specific terms with respect to that private fund.

Additionally, ACP II GP is the manager of each of the following co-investment funds (collectively, the “**Fund II Co-Investment Funds**”), which was formed for the purpose of investing side-by-side with Fund II in a certain portfolio company investment of Fund II at the same time and on the same terms on a *pro rata* basis based on relative commitment sizes of Fund II and the relevant Fund II Co-Investment Fund.

- ACP Convatec Co-Invest, LLC, a Delaware limited liability company
- ACP Inc Research Co-Invest LLC, a Delaware limited liability company

- Inc Research Mezzanine Co-Invest, LLC, a Delaware limited liability company
- ACP Arctic Co-Invest, LLC, a Delaware limited liability company
- ACP Viking Co-Invest LLC, a Delaware limited liability company

ACP III GP, a Delaware limited liability company, is the general partner of the private funds listed below:

- Avista Capital Partners III, L.P., a Delaware limited partnership (“**Onshore Fund III**”)
- Avista Capital Partners (Offshore) III, L.P., a Bermuda exempted limited partnership (“**Offshore Fund III**”)
- Avista Capital Partners (Offshore) III-A, L.P., a Bermuda exempted limited partnership (“**Offshore Fund III-A**”)

Additionally, ACP III GP is a special limited partner (i.e., carry partner) of the following alternative investment vehicle (the “**Fund III AIV**”), which was formed for the purpose of investing in certain portfolio company investments of Onshore Fund III. Fund III AIV, together with Onshore Fund III, Offshore Fund III, Offshore Fund III-A, any feeder vehicles, other alternative investment vehicles and special purpose entities are collectively referred to as “**Fund III**”.

- ACP III AIV, L.P., a Bermuda exempted limited partnership

ACP III AIV GP, Ltd., a Bermuda limited company, is the general partner of Fund III AIV.

For the sake of clarity, unless otherwise indicated, references in this Brochure to “Fund III” include each of the above-named private funds. While the substantial majority of the terms of each above named fund are the same, each of such funds was formed to suit the purposes of certain types of investors (*e.g.*, U.S. tax-exempt investors, non-U.S. investors, etc.) so there are slight variations in structure and investment terms among the funds. Investors should refer to the private fund’s Limited Partnership Agreement for specific terms with respect to that private fund.

Further, ACP III GP is the manager of the following co-investment funds (other than ACP Acrobat Co-invest LP, which is managed by its General Partner, ACP III AIV GP, Ltd.) (the “**Fund III Co-Investment Funds**”, and together with the Fund I Co-Investment Funds and the Fund II Co-Investment Funds, the “**Avista Co-Investment Funds**”), each of which was formed for the purpose of investing side-by-side with Fund III in a certain portfolio company investment of Fund III at the same time and on the same terms on a *pro rata* basis based on relative commitment sizes of Fund III and the Fund III Co-Investment Funds.

- ACP Sidewinder Co-Invest, LLC, a Delaware limited liability company
- ACP Racecar Co-Invest, LLC, a Delaware limited liability company
- PG-ACP Co-Invest, LLC, a Delaware limited liability company
- ACP Tower Co-Invest, LLC, a Delaware limited liability company
- ACP Acrobat Co-Invest, LP, a Bermuda exempted limited partnership

References to “**Bermuda Funds**” include Avista Capital Partners (Offshore), L.P., Avista Capital Partners (Offshore) II, L.P., Avista Capital Partners (Offshore) II-A, L.P., Offshore Fund III, Offshore Fund III-A and Fund III AIV.

AC Europe, a limited liability partnership incorporated under the laws of England and Wales, provides advisory services to Avista Capital Holdings in connection with the investment advisory services it provides to Fund II and Fund III in the United Kingdom and Europe.

Avista Capital Holdings’ advisory services for the Private Investment Funds are further detailed in the applicable private placement memoranda and the supplements thereto (each, a “**Private Placement Memorandum**” and, collectively, the “**Private Placement Memoranda**”), the applicable management agreements (each, a “**Management Agreement**” and, collectively, the “**Management Agreements**”) and the Limited Partnership Agreements of the Funds and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Private Investment Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints.

As of December 31, 2013, Avista Capital Holdings managed approximately \$6.8 billion in client assets on a discretionary basis. Avista Capital Holdings is controlled by Thompson Dean and Steven A. Webster (the “**Managing Partners**”), and its general partner is Avista Capital, Inc., a Delaware corporation (the “**UGP**”). The UGP is managed by a board of directors whose members are Thompson Dean, Steven Webster, David Burgstahler and David Durkin.

The General Partners are each controlled by Avista Capital Managing Member, LLC, a Delaware limited liability company (the “**Managing Member**”). AC Europe is controlled by Avista Europe Limited, a private limited company incorporated in England and Wales, which is also controlled by the Managing Member. The Managing Member is controlled by the Managing Partners.

FEES AND COMPENSATION

In general, Avista Capital Holdings receives a management fee (“**Management Fee**”) from the Funds in connection with advisory services it provides them. Avista Capital Holdings or other Avista entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds (*e.g.*, the General Partners receive carried interest, discussed in detail below) and such additional compensation offsets in whole or in part the Management Fee otherwise payable to Avista Capital Holdings. Limited partners in the Funds also bear certain fund expenses.

Management Fees

Fund I

During its commitment period, Fund I paid Avista Capital Holdings a Management Fee equal to 1.75% on an annual basis of aggregate Fund I limited partner capital commitments. Fund I currently pays Avista Capital Holdings a reduced Management Fee equal to 1.25% per

annum of the net amount of (A) the aggregate amount of investment contributions of the limited partners, less (B) the aggregate amount of distributions made to the limited partners, less (C) the aggregate amount of investment contributions of the limited partners used to fund investments that have been completely written off, but only to the extent such written off amount has not been returned to the limited partners, less (D) the aggregate amount of investment contributions of the limited partners used to fund investments that have been permanently written down, but only to the extent such written down amount has not been returned to the limited partners, in each case, determined as of the first day of the period with respect to which a determination is being made; *provided, that*, for purposes of clarity, distributions made to the limited partners with respect to investments in a portfolio company shall be treated as having been distributed for purposes of clause (B) only to the extent the aggregate value of all remaining investments in such portfolio company is less than the aggregate investment contributions with respect to all existing and former investments in such portfolio company, as determined on the first day of the period with respect to which a determination is being made. The Management Fee is payable quarterly in advance and until dissolution of the Fund and prorated in the event of any partial year; *provided*, that for purposes of calculating the unreturned investment contributions, any return of investment contributions in connection with a recapitalization of any investment is disregarded. Limited partners of the Fund who participated in a closing after April 25, 2006, bore the Management Fee from such date, after giving effect to any new or increased commitments.

The Management Fee is reduced by an amount equal to the sum of (i) any private placement agent fees, (ii) organizational expenses in excess of \$1.75 million, and (iii) 80% of all closing fees, commitment fees, monitoring fees, director's fees, break-up fees, consulting fees, managing fees or any other similar fees (subject to certain exceptions detailed in the Fund's offering memorandum, the "**Portfolio Company Fees**"), net of unreimbursed expenses (collectively, the "**Offset Fees**") received by ACP I GP, Avista Capital Holdings or any of their respective partners, members, officers or employees. All Offset Fees reduce the Management Fee for the three-month period immediately following the three-month period of receipt and, if the amount of such Offset Fees exceeds the Management Fee for such three-month period, each subsequent three-month period until all Offset Fees have been fully utilized; *provided*, that any such excess Offset Fees that are attributable to portfolio company fees that remain unapplied as of the dissolution of Fund I shall be retained by ACP I GP, Avista Capital Holdings or any of their respective partners, members, officers or employees, except to the extent that any limited partner elects in writing on or prior to the final closing to receive its pro rata share of such excess. ACP I GP rebates to any limited partner that so has elected in its subscription agreement an amount of management fees equal to the lesser of (x) such limited partner's pro rata share of any such unapplied Offset Fees and (y) the amount of Management Fees previously paid by such limited partner.

Fund I pays (or reimburses Avista Capital Holdings) up to a maximum of \$2.5 million for out-of-pocket expenses incurred in connection with organizing and raising capital for the Fund, or any of its respective affiliates; *provided*, that any such organizational expenses in excess of \$1.75 million but less than \$2.5 million shall be borne by Avista Capital Holdings through an offset against the Management Fee. Any placement agent fees are paid by the Fund but applied as an offset against the Management Fee as noted above.

As described more fully in the applicable Private Placement Memorandum, Avista has relationships with certain senior professionals who provide certain key value-added services to the portfolio companies of the Funds (the "Operating Partners"). These Operating Partners are not employees of Avista. Such Operating Partners receive compensation from Avista portfolio companies and such compensation will not result in offsets to the Management Fee. The Management Fee is further reduced in the circumstances and by the amounts described in the Limited Partnership Agreements.

Fund II

Fund II pays Avista Capital Holdings a Management Fee equal to 1.75% on an annual basis of aggregate Fund II limited partner capital commitments, payable quarterly in advance and prorated in the event of any partial year; *provided*, that for purposes of calculating the unreturned investment contributions, any return of investment contributions in connection with a recapitalization of any investment is disregarded. After the earlier of (i) the expiration of Fund II's commitment period or (ii) the date on which ACP II GP, Avista Capital Holdings, any affiliate of the ACP II GP or Avista Capital Holdings, or any approved executive officer (while such persons remain employed by Avista Capital Holdings) closes another fund with similar investment objectives to Fund II, Fund II pays Avista Capital Holdings a reduced Management Fee equal to 1.25% per annum of the net amount of (A) the aggregate amount of investment contributions of the limited partners, less (B) the aggregate amount of distributions made to the limited partners, less (C) the aggregate amount of investment contributions of the limited partners used to fund investments that have been completely written off, but only to the extent such written off amount has not been returned to the limited partners, less (D) the aggregate amount of investment contributions of the limited partners used to fund investments that have been permanently written down, but only to the extent such written down amount has not been returned to the limited partners, in each case, determined as of the first day of the period with respect to which a determination is being made; *provided, that*, for purposes of clarity, distributions made to the limited partners with respect to investments in a portfolio company shall be treated as having been distributed for purposes of clause (B) only to the extent the aggregate value of all remaining investments in such portfolio company is less than the aggregate investment contributions with respect to all existing and former investments in such portfolio company, as determined on the first day of the period with respect to which a determination is being made. limited partners of the Fund who have participated in a closing since July 25, 2008, bear the Management Fee from such date, after giving effect to any new or increased commitments.

The Management Fee is reduced by an amount equal to the sum of (i) any private placement agent fees, (ii) organizational expenses in excess of \$2.0 million, and (iii) 80% of all Portfolio Company Fees, net of unreimbursed expenses, received by ACP II GP, Avista Capital Holdings or any of their respective partners, members, officers or employees. All Offset Fees reduce the Management Fee for the three-month period immediately following the three-month period of receipt and, if the amount of such Offset Fees exceeds the Management Fee for such three-month period, each subsequent three-month period until all Offset Fees have been fully utilized; *provided*, that any such excess Offset Fees that are attributable to portfolio company fees that remain unapplied as of the dissolution of Fund II shall be retained by ACP II GP, Avista Capital Holdings or any of their respective partners, members, officers or employees, except to

the extent that any limited partner elects in writing on or prior to the final closing to receive its pro rata share of such excess. Further, ACP II GP rebates to any limited partner an amount of the Management Fee equal to the lesser of (x) such limited partner's pro rata share of any unapplied Offset Fees and (y) the amount of Management Fee previously paid by such limited partner.

Fund II pays (or reimburses Avista Capital Holdings) for all out-of-pocket expenses incurred in connection with organizing and raising capital for the Fund, or any of its affiliates; *provided*, that any such organizational expenses in excess of \$2.0 million shall be borne by Avista Capital Holdings through an offset against the Management Fee. Any placement agent fees are paid by the Fund but applied as an offset against the Management Fee as noted above.

The Management Fee payable by Onshore Fund II is reduced by \$58,950,000 million which is applied against installments of the Management Fee by the limited partners. Such reduction in the Management Fee shall increase capital contributions of the limited partners of Onshore Fund II to Onshore Fund II (excluding, for this purpose, Avista Capital Holdings in its capacity as a limited partner of Onshore Fund II).

As described more fully in the applicable Private Placement Memorandum, Avista has relationships with certain senior professionals who provide certain key value-added services to the portfolio companies of the Funds (the "Operating Partners"). These Operating Partners are not employees of Avista. Such Operating Partners receive compensation from Avista portfolio companies and such compensation will not result in offsets to the Management Fee. The Management Fee is further reduced in the circumstances and by the amounts described in the Limited Partnership Agreements.

Fund III

Fund III pays Avista Capital Holdings a Management Fee equal to the sum of (w) 0.75% of aggregate capital commitments of each Class A Limited Partner that, together with its affiliated Limited Partners, makes a capital commitment of at least \$150 million (each, a "\$150 Million Limited Partner") (x) 1.00% of aggregate capital commitments of each Class A Limited Partner that, together with its affiliated Limited Partners, makes a capital commitment of at least \$100 million but less than \$150 million (each, a "Century Limited Partner") plus (y) 1.375% of aggregate capital commitment of each Class A Limited Partner that, together with its affiliated Limited Partners, makes a capital commitment of at least \$50 million but less than \$100 million (each, a "Half-Century Limited Partner") plus (z) 1.75% of aggregate capital commitments of each other Class A Limited Partner, on an annual basis, payable quarterly in advance and prorated in the event of any partial year. Limited partners of the Fund who have participated in a closing since August 5, 2011 bear their *pro rata* share of the Management Fee computed after giving effect to any new or increased commitments.

Upon the earlier to occur of (i) the date on which the commitment period expires or is terminated and (ii) the date on which ACP III GP, Avista Capital Holdings, any affiliate of ACP III GP or Avista Capital Holdings, or any approved executive officer (for so long as such person continues to be an approved executive officer) commences the operation of a new equity fund with primary investment objectives substantially similar to Fund III (other than any parallel fund), the Management Fee shall be reduced to (w) in the case of each Half-Century Limited

Partner, 1.125% per annum, (x) in the case of each Century Limited Partner, 1.00% per annum until the final closing of the successor fund to Fund III and, thereafter, 0.50% per annum, (y) in the case of each \$150 Million Limited Partner, 0.75% per annum until the final closing of the successor fund to Fund III and, thereafter, 0.25% per annum, and (z) in the case of each other Class A Limited Partner, 1.25% per annum, with respect to each Class A Limited Partner, of (A) the aggregate amount of investment contributions of such Class A Limited Partner, less (B) the aggregate amount of distributions made as a return of such investment contributions to such Class A Limited Partner, less (C) the aggregate amount of investment contributions of such Class A Limited Partner used to fund investments that have been completely written off, but only to the extent such written off amount has not been returned to such Class A Limited Partner, less (D) the aggregate amount of investment contributions of such Class A Limited Partner used to fund investments that have been permanently written down, but only to the extent such written down amount has not been returned to such Class A Limited Partner, in each case, determined as of the first day of the period with respect to which a determination is being made; *provided, that*, for purposes of clarity, distributions made to each Class A Limited Partner with respect to investments in a portfolio company shall be treated as having been distributed for purposes of clause (B) only to the extent the aggregate value of all remaining investments in such portfolio company is less than the aggregate investment contributions with respect to all existing and former investments in such portfolio company, as determined on the first day of the period with respect to which a determination is being made.

The Management Fee is payable until all portfolio investments are distributed or until Avista Capital Holdings' relationship with Fund III is terminated for other reasons (as described in the Fund III Limited Partnership Agreements). Installments of the Management Fee payable for any period other than a full quarterly period are adjusted on *pro rata* basis according to the actual number of days in such period.

In addition, the Management Fee is reduced by each limited partner's share (as determined by applying a fraction, the numerator of which is such limited partner's commitment, and the denominator of which is the commitments of all limited partners) of (i) any private placement agent fees, (ii) organizational expenses in excess of \$2.5 million, and (iii) 100% of all Portfolio Company Fees to reduce the Management Fee for the quarterly period immediately succeeding the quarterly period in which such placement agent fee or such organizational expense was paid by Fund III or such Portfolio Company Fee was received by the ACP III GP, Avista Capital Holdings, Avista Capital Coinvestment Vehicle III, L.P., in its capacity as a limited partner, any of their respective partners, managers, members, officers, directors or employees or any of their respective Affiliates (including, in the case of an individual, such individual's spouse and dependent children) ("**ACP III GP Related Persons**"), as applicable (or in certain circumstances the Management Fee for the quarterly period immediately preceding the quarterly period in which such Portfolio Company Fee was expected to be received by such person).

In the event that the Offset Amount to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding quarterly period, such excess shall be carried forward to reduce the Management Fee payable in following quarterly periods. Any such excess Offset Amount that is attributable to Portfolio Company Fees that remains unapplied as of the dissolution of the Partnership shall be retained by the applicable ACP III GP Related Persons.

As of the final distribution of Fund III's assets, ACP III GP shall rebate directly to any limited partner that has elected, in writing in the subscription agreement executed by such limited partner in connection with such person's commitment thereunder, to receive its pro rata share of such excess Offset Amount an amount of Management Fees equal to the lesser of (i) the product of (x) such excess Offset Amount, multiplied by (y) a fraction, the numerator of which is such limited partner's commitment, and the denominator of which is the commitments of all limited partners and (ii) the aggregate Management Fees previously paid by (and not previously returned to) such limited partner.

Fund III pays or reimburses Avista Capital Holdings for all out-of-pocket expenses incurred in connection with organizing and raising capital for Fund III; *provided*, that any such organizational expenses in excess of \$2.5 million shall be borne by Avista Capital Holdings through an offset against the Management Fee. Any placement agent fees are paid by the Fund but applied as an offset against the Management Fee as noted above.

The Management Fee payable by Onshore Fund III is reduced by \$50 million which is applied against installments of the Management Fee payable with respect to each Class A Limited Partner. Such reduction in the Management Fee shall increase capital contributions of each Class A Limited Partner of Onshore Fund III to Onshore Fund III.

Fund III AIV is subject to the Management Fee provisions set forth in the Limited Partnership Agreement of Onshore Fund III. The Management Fee payable by Fund III AIV is incurred and paid solely by Onshore Fund III. Without limiting the foregoing, there is no duplication of management fees or management fee offsets among Onshore Fund III and Fund III AIV.

As described more fully in the applicable Private Placement Memorandum, Avista has relationships with certain senior professionals who provide certain key value-added services to the portfolio companies of the Funds (the "Operating Partners"). These Operating Partners are not employees of Avista. Such Operating Partners receive compensation from Avista portfolio companies and such compensation will not result in offsets to the Management Fee. The Management Fee amount is further adjusted in the circumstances and by the amounts described in the Limited Partnership Agreements.

Avista Co-Investment Funds

The Avista Co-Investment Funds are not subject to a Management Fee.

Other Information

The Funds and any other Private Investment Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Limited Partnership Agreements over the term of the Funds (or the relevant Private Investment Funds, as applicable) and limited partners generally are not permitted to withdraw or redeem interests in the Funds (or other relevant Private Investment Funds, as applicable). The General Partners reserve the right to waive all or a portion of any Management Fee and/or Carried Interest (as defined below) payable by limited partners of their respective Funds or other Private Investment Funds. Any such waiver may be made by direct waiver or

exemption, a rebate by Avista or through other Private Investment Funds that co-invest with any of the Funds. The Managing Partners or other employees of Avista may receive a portion of the Management Fee, Carried Interest or other compensation received by Avista or any of its affiliates.

In addition to the Management Fee and Carried Interest, the Funds bear certain expenses. As set forth in their Limited Partnership Agreements, the Funds bear all expenses to the extent not paid by portfolio companies, including legal, accounting, accounting software, auditing, investment banking, travel (including but not limited to airfare, which may include first class airfare and occasional chartered and private airplanes), printing, consulting, research, brokerage, finder's fees, custody, transfer, government and registration, insurance, advisory board, interest, taxes and other similar fees and expenses. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

Additionally, certain operating partners (including certain of the Advisers' members or limited partners who may also be operating partners) may provide services to (or with respect to) certain portfolio companies in which one or more Funds may invest. In connection with such services, such operating partners may receive fees and other compensation from such portfolio companies.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Avista Capital Holdings does not receive a carried interest allocation ("**Carried Interest**") for its advisory services to the Funds. Rather, each of ACP I GP, ACP II GP and ACP III GP receive a Carried Interest equal to 20% of all aggregate realized profits from each of Fund I, Fund II and Fund III, respectively, as more fully described in the applicable Fund's Limited Partnership Agreement. If any General Partner receives Carried Interest distributions during the life of the applicable Fund which are, in the aggregate, in excess of 20% of such Fund's cumulative net profits, then such excess Carried Interest distributions will be subject to repayment by such General Partner. The General Partners may waive Carried Interest with respect to certain affiliated limited partners in the applicable Fund, as described under "Fees and Compensation." ACP III AIV GP, Ltd. does not receive any Carried Interest in its capacity as general partner for Fund III AIV. Rather, Fund III AIV is subject to the Carried Interest provisions set forth in the Limited Partnership Agreement of Onshore Fund III. The Carried Interest payable on behalf of Fund III AIV is incurred and paid solely by Onshore Fund III. Without limiting the foregoing, there is no duplication of Carried Interest among Onshore Fund III and Fund III AIV. The Avista Co-Investment Funds are not subject to a Carried Interest. This practice could present a conflict of interest because each General Partner has an incentive to favor accounts for which it receives a performance-based fee. Each General Partner seeks to address this potential conflict of interest by managing the applicable investment of the applicable Fund and relevant Avista Co-Investment Fund, to the extent practicable, on the same terms on a *pro rata* basis based on relative commitment sizes of such Fund and such Avista Co-Investment Fund.

TYPES OF CLIENTS

Avista Capital Holdings provides investment advice to Private Investment Funds, including the Funds. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of Avista Capital Holdings and its affiliates.

Fund I, Fund II and Fund III are closed to new investors.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Avista intends to primarily focus on making private equity and equity-related investments in growth-oriented companies primarily in the energy, healthcare, media, consumer and industrial sectors. Avista's investment strategy in the energy sector focuses on providing equity capital for businesses that it believes have strong growth prospects driven by sustainable competitive advantages, such as a strong management team, high-quality assets, superior technology or exceptional operations. Avista focuses on platform companies that it believes have ongoing capital requirements to pursue growth and acquisition opportunities. The Funds seek to generate significant long-term capital appreciation primarily through investments in companies in a variety of transactions, including, leveraged and unleveraged acquisitions, recapitalizations, restructurings, workouts, structured financings, growth equity and other related transactions. The Funds may make controlling equity interest or a minority investment in portfolio companies.

There can be no assurance that the Advisers will achieve the investment objectives of the Funds and a loss of investment may be possible.

Investment and Operating Strategy

Leveraged Buyouts. Avista generally seeks businesses that it believes are market leaders, have distinct and defensible competitive advantages and enjoy solid growth potential. Avista's professionals also consider under-managed or under-capitalized divisions of larger businesses, small public companies that are overlooked or poorly understood, family-owned companies with succession considerations and other opportunistic situations. Avista structures buyouts with an amount of leverage in order to increase returns, and seeks to maintain the financial flexibility to fund growth opportunities and withstand market downturns.

Growth Capital. Avista's professionals have a particular focus on providing established and well-managed platform companies with the capital to pursue various objectives to create value through the implementation of consolidation strategies, broadening of their geographic footprint or enhancement of their product offerings, among others. When executing growth capital investments, Avista seeks to implement financing structures that are consistent with these

companies' growth requirements while maintaining an appropriate level of control through governance and control rights for the purpose of managing risk.

Structured Equity. To capitalize on investment opportunities that arise when companies have limited access to the financial markets, Avista seeks to structure private securities that provide the appropriate balance between downside protection and the potential for significant equity appreciation. Avista believes that these opportunities typically result from market dislocations or the financial distress of a mature business. When reviewing structured equity investments, Avista's professionals generally analyze the stability and defensibility of the cash flows to ensure appropriate credit coverage, while also considering the ability to create equity returns through revenue growth or margin improvement.

Partnership and Minority Investments. Avista may selectively consider entering into partnership and minority equity opportunities in situations where the economic returns are compelling. In such cases, Avista typically negotiates certain limited control rights, including board seat representation, tag-along rights upon sale of the company, registration rights, supermajority vote approval for major corporate events, put rights upon change of control and preemptive rights. Typically, Avista's professionals take an active role in the portfolio companies to create value post investment including seeking the right to designate a member to the board of the portfolio company.

Post-Acquisition Value-Added. Avista's professionals take an active role in assembling management teams and working with portfolio companies to develop strategic plans, enhance organic growth, pursue accretive acquisitions and increase efficiencies. The operating executives provide strategic insight, counsel and operational oversight and help develop and refine the strategic direction of the Funds' portfolio companies. The professionals typically seek the right to designate board members in all of their investments.

Avista's professionals actively monitor and advise management teams, oversee strategic plans for expansion, growth and profitability, and methodically measure performance against these plans and other metrics. Avista's professionals typically serve on the boards of its portfolio companies, providing ongoing monitoring of the portfolio companies' progress. Avista's professionals also have significant experience in strengthening management teams and, when necessary, replacing a company's CEO, CFO or other executives.

Exit Strategies. Avista's professionals analyze exit scenarios and strategies before making an investment and seek to structure investments with a view towards the ease and speed of potential exits. Potential opportunities for exit are monitored throughout the ownership of the portfolio company in order to complete opportunistic realizations and protect built-up gains. The Funds intend to hold investments generally for three to five years, but may seek an earlier exit if opportunities for continued value creation are modest and it receives a price that meets its targeted return

Risks of Investment

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Investors should review each Fund's Private Placement Memoranda for information

regarding risks specific to each Fund. In general, the risks involved with the Adviser's investment strategy and an investment in the Funds include, but are not limited to:

Business Risks. The Funds' investment portfolios generally consist primarily of securities issued by privately held companies, and operating results in a specified period are difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Relation to Other Investment Results. The prior investment results of the Funds are not indicative of any of the Fund's future investment results. The nature of, and risks associated with, one Fund's future investments may differ substantially from those investments and strategies undertaken historically by the other Funds or any other person. There can be no assurance that the Funds' investments will perform as well as the past investments of the Funds or any other person or that the Funds will be able to avoid losses.

Competition for Suitable Investments. The Funds compete for the acquisition of investments with other investors, some of which have greater resources than the Funds. Such competitors may include investment funds as well as individuals, large publicly-traded companies, financial institutions and other institutional investors. Further, over the past several years, an ever-increasing number of private investment funds have been formed (and many existing funds have grown in size). In addition, the availability of investment opportunities generally is subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense. There are no assurances that the Funds will be able to find a sufficient number of attractive opportunities to meet their investment objectives and to enable the full amount of capital committed to the Funds to be invested. Nonetheless, investors are required to pay annual management fees based on the entire amount of their commitment to the Funds during the commitment period.

Limited Number of Investments. The Funds may invest in a limited number of companies, and as a consequence, the aggregate returns realized by investors may be substantially adversely affected by the unfavorable performance of a small number of such investments. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies and thus be less diversified.

Nature of Investments by the Funds. An investment in a Fund should be viewed as illiquid and requires a long-term commitment with no certainty of return. There is little or no near-term cash flow available to the investors. Most of the Funds' investments are highly illiquid, as the Funds generally acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act or in a private placement or other transaction exempt from registration under the Securities Act and even if registered, such securities may never become publicly tradable. Accordingly, there is no assurance that the Funds will be able to realize such investments in a timely manner, and most of the Funds' investments are difficult to value. Distributions in kind of illiquid securities to the investors may be made. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The securities in which the Funds invest generally are among the most junior in a company's

capital structure, and thus subject to the greatest risk of loss. Generally, there is no collateral to protect the Funds' investment once made. In addition, the Funds hold non-controlling interests in many of their portfolio companies, and therefore have a limited ability to protect their positions and interests in such portfolio companies. In addition, general economic or industry-specific conditions, which are not predictable, can have a material adverse impact on such investments.

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

Foreign Investments. Subject to certain limitations, the Funds invest in portfolio companies that are organized and operating outside of the United States, its territories and possessions. Such investments are subject to certain additional risks due, among other things, to potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the terms of the Funds), the application of complex U.S. and non U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Funds and/or investors in the Funds with respect to each Funds' income, and possible non-U.S. tax return filing requirements for the Funds and/or investors in the Funds. Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Reliance on Fund Management. The Funds are highly dependent on the financial and managerial expertise of the partners and executives of their respective General Partners and

Avista Capital Holdings. The loss or reduction of service of one or more professionals could have a material adverse effect on the performance of a Fund. The General Partners have exclusive responsibility for their respective Funds' activities and, other than as may be set forth herein, investors in the Funds are not able to participate in the evaluation, structuring, monitoring or disposition of investments or in any other decisions in the management of the Funds or their portfolio companies.

Reliance on Portfolio Company Management. Although the General Partners monitor the performance of fund investments, it is primarily the responsibility of each portfolio company's management team to operate such portfolio company on a day to day basis. Although Avista generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

Risk Arising from Provision of Managerial Assistance. The investment professionals of Avista, Avista Capital Holdings and the General Partners may take an active role in the management of the Funds' portfolio companies. The Funds typically seek to designate investment professionals of Avista to serve on the boards of directors of their portfolio companies. The designation of directors and other measures contemplated could expose the assets of the Funds and their representatives to claims by a portfolio company, its security holders and its creditors. While Avista Capital Holdings intends to manage the Funds in a way that minimizes exposure to these risks, the possibility of successful claims cannot be precluded.

Potential Contingent Liabilities. In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business or may be responsible for the contents of disclosure documents under applicable securities laws. The Funds may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the investors of the Funds to the extent that they have received prior distributions from the Funds or to the extent that they have undrawn commitments at such time.

Financial Projections. The General Partners will generally establish the capital structure of companies in which the Funds invest on the basis of financial projections for such companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results which are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained and actual results may vary significantly from the projections. General economic and industry-specific conditions, which are not predictable, can have a material adverse impact on the reliability of projections.

Impact of Regulation. The Funds focus, in part, on investments in the media, communication and information industries, sectors of which are regulated by the Federal Communications Commission ("FCC") and other regulatory bodies. Many of the companies in which the Funds invest are subject to regulation by the FCC and, in some cases, to other government regulation in the United States and elsewhere. The products or services of such

companies are dependent upon obtaining regulatory clearances and approvals in various jurisdictions. The process of obtaining such approvals can be lengthy, expensive and uncertain, and there is no assurance that such approvals will be obtained. Failure to obtain such approvals could have a significant adverse effect on such portfolio companies' performance or the ability of the Funds to dispose of their investments in such portfolio companies at an attractive time or price.

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

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self reinforcing" economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Furthermore, such uncertainty may have an adverse effect upon portfolio companies in which the Funds make investments.

Market Conditions. Any material change in the economic environment, including a slowdown in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. The Funds' performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007, which can impact the public market comparable earnings multiples used to value privately held portfolio companies. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Funds' performance. Following the onset of the credit crisis, the rate of future investment by funds has slowed and may continue to do so as the pricing of new transactions adjusts to reflect the current economic uncertainty and the lack of credit in the markets. Holding periods are also likely to be longer as the rate of realizations slows in light of the deterioration in market conditions for initial public offerings and a decline in mergers and acquisitions activity. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of the credit crisis may also affect the Funds' ability to raise funding to support their investment objective and also the level of profitability achieved on realizations of investments.

Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments. The recent deterioration of the global credit markets has made it more difficult for investment funds such as the Funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise

in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. The Funds' ability to generate attractive investment returns may be adversely affected to the extent the Funds are unable to obtain favorable financing terms for their investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Funds to realize their investments at favorable times or for favorable prices.

Conflicts of Interest

General. Investors should be aware that there will be situations where the Advisers and their respective affiliates may encounter potential conflicts of interest in connection with the Funds' investment activities. The following discussion details certain potential conflicts of interest that should be carefully considered before making an investment in any of the Funds:

Other Activities of the Avista Capital Partners Investment Team. The Avista team will devote such time and attention as the General Partners deem necessary to carry out the operations of the Funds as further set forth in the Limited Partnership Agreements. Conflicts of interest may arise in allocating time, services or functions among the Funds and the existing portfolio of the Funds.

Potential Conflicts Between the Funds. The Avista team will continue to own and operate and have an economic interest in the Funds' performance.

It is anticipated that the portfolio companies of the Funds will continue to make acquisitions and investments, and these activities, as well as the management of pre-existing investments, will require significant involvement by the Avista team. It is possible that certain of the acquisitions and investments made by portfolio companies of any of the Funds may compete with, or otherwise have a conflict of interest with the other Funds or their portfolio companies.

The Avista team may continue to receive incentive compensation from any follow-on investments made by the Funds and opportunities and compensation received in connection with any such investments varies among the Funds. The Funds will not participate in any amounts so received by the Avista team.

Relationship with other Private Investment Funds. One or more of the General Partners and Avista Capital Holdings may manage a number of Private Investment Funds, in addition to the Funds, which may have investment objectives similar to those of the Funds. In addition, following the commitment period of any Fund, the Avista team may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Subject to any limitations in the definitive agreements relating to the Funds and the other Private Investment Funds, allocation of available investment opportunities between the Funds and any other Private Investment Funds will be made by Avista Capital Holdings in its sole discretion. The appropriate allocation between the Funds and any other Private Investment Funds of

expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by Avista Capital Holdings in good faith.

In addition, the General Partners, Avista Capital Holdings, their respective affiliates and/or members of the Avista team may manage a number of, serve on the investment committees of and/or provide business and/or investment advice to Private Investment Funds, other than the Funds, in the future, which may have investment objectives that are not similar to those of the Funds. In such an event, it is expected that such persons will be required to devote such time and commitment as may be necessary to perform such services diligently and in a professional manner. Such persons may or may not be compensated for such services by such other Private Investment Funds. As such, it is possible that such persons' services with respect to such other Private Investment Funds may conflict with the activities of the Funds. In such event, any potential conflict will be resolved in a manner consistent with the Funds' fiduciary responsibilities to the limited partners.

Carried Interest and Portfolio Company Fees. The capital contribution of the General Partners represents only a small portion of the Funds' capital. Each of the General Partner's carried interest is based substantially on the performance of the applicable Funds. This arrangement could be viewed as creating an incentive for the General Partners to select investments that are riskier or more speculative than it would otherwise make in the absence of such performance-based compensation. Since the General Partners are permitted to retain certain Portfolio Company Fees (as described under "Fees and Compensation") in connection with Fund investments, it could have a conflict of interest in connection with approving transactions.

Avista Capital Holdings and/or its affiliates generally have discretion over whether to charge transaction fees to a portfolio company and, if so, the fee rate or amount. The receipt of transaction fees may give rise to conflicts of interest between the Private Investment Funds, on the one hand, and Avista Capital Holdings and/or its affiliates on the other hand.

Conflicts for Operating Executives. The operating executives involved in the management of any operating entity in which a Fund has a controlling interest will devote such time and attention as the General Partners deem necessary to carry out the operations of the Funds. However, the operating executives have other professional obligations including senior executive, supervisory, or board positions which are not related to the Funds or their portfolio companies. Therefore, conflicts of interest may arise in allocating time, services or functions among the Funds and the time required for these other obligations.

DISCIPLINARY INFORMATION

Avista Capital Holdings and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Avista Capital Holdings is affiliated with other Avista investment advisers registered with the SEC under the Advisers Act pursuant to Avista's registration in accordance with SEC

guidance. These affiliated investment advisers operate as a single advisory business together with Avista and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

The Advisers have adopted the Avista Code of Ethics and Securities Trading Policy and Procedures (the “Code”), which sets forth standards of conduct that are expected of Avista principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Avista personnel to report their personal securities transactions, prohibits or requires pre-clearance for Avista personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Avista personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Avista Chief Compliance Officer. A copy of the Code will be provided to any limited partner or prospective limited partner upon request to Benjamin Silbert, the Avista Chief Compliance Officer, at 212-593-6900. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers’ personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds, including the Fund or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds.

The Funds and other Private Investment Funds may invest together with other funds advised by an affiliated adviser of Avista Capital Holdings in the manner set forth in their Limited Partnership Agreements. The Advisers will determine the allocation of investment opportunity in a manner that it believes is fair and equitable to its clients consistent with the Advisers’ obligations and may take into consideration factors such as the following: the client’s investment restrictions and objectives (including those set forth in the relevant client’s governing

documents, where applicable), investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits and other relevant factors, including risk.

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

The operative documents and investment programs of certain vehicles sponsored by Avista (the “**Reference Funds**”) may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Reference Funds or may give priority with respect to investments to such Reference Funds. Some of these restrictions could be waived by limited partners (or their representatives) in such Reference Funds.

BROKERAGE PRACTICES

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

If the Advisers sell publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them,

although the Advisers generally do not make use of such services at the current time and have not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Advisers' Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Advisers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services may be shared among the Advisers and their affiliates.

The Advisers do not employ any agreement or formula for the allocation of brokerage business on the basis of research services; however, the Advisers may, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Advisers have determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Advisers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

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

To the extent that the Adviser allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Private Investment Funds' interest in receiving most favorable execution.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Advisers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

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

order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Avista Capital Holdings closely monitors companies in which the Funds invest, and the Avista Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

Each Fund will provide to each of its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return and (iii) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment.

CLIENT REFERRALS AND OTHER COMPENSATION

Avista Capital Holdings and/or its affiliates may provide certain business or consulting services to companies in each Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the Funds' Limited Partnership Agreements, this compensation may, in many cases, offset a portion of the Management Fees paid by Funds. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

From time to time, the Adviser may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential limited partner becoming a limited partner in a Fund or other Private Investment Fund. Any fees and expenses payable to any such placement agents will be borne by Avista Capital Holdings. For Fund I, Avista Capital Holdings retained Merrill Lynch, Pierce, Fenner & Smith, Inc. as its primary placement agent in connection with the formation of the Fund in exchange for fees ranging from 1% to 2% of the commitments made by applicable investors. For Fund II, Avista Capital Holdings retained Merrill Lynch & Co. to solicit investors to invest in Fund II in exchange for fees ranging from 1% to 1.5% of the commitments made by applicable investors. However, from December 2009 until the end of Fund II's fundraising period, Avista Capital Holdings retained Mercury Capital Advisors, LLP to solicit investors to invest in Fund II in exchange for fees ranging from 1.375% to 1.5% of the commitments made by applicable investors. For Fund III, Avista Capital Holdings has retained each of Eaton Partners, LLC, Equus Financial Consulting LLC, Sabertia Capital Partners SL, Magenta Capital Services Ltd, Cebile Capital, LLP, Greenhill & Co, LLC and HCH Capital Corporation to solicit investors to invest in Fund III in exchange for fees ranging from 1% to 2.5% of the commitments made by applicable investors.

CUSTODY

Avista Capital Holdings maintains custody of the Funds' assets held in each Fund's name with the following qualified custodians: JP Morgan Chase Bank NA and UBS Financial Services Inc.

INVESTMENT DISCRETION

Avista Capital Holdings has discretionary authority to manage the investments on behalf of each Fund pursuant to the Limited Partnership Agreements and Management Agreements described under "Advisory Business." As a general policy, the Advisers do not allow clients to place limitations on this authority. Pursuant to the terms of the Limited Partnership Agreements, however, the Advisers may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partners' investment in the Funds may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Avista Capital Holdings assumes this non-discretionary authority pursuant to the terms of the Management Agreements and powers of attorney executed by the limited partners of Funds.

VOTING CLIENT SECURITIES

The Advisers have adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for each Fund's (and any Private Investment Fund's) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Each of the Advisers generally believes its interests are aligned with those of Funds' limited partners through the principals' beneficial ownership interests in the Funds and therefore will not seek limited partner approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the Funds' advisory boards on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the Funds' advisory boards may approve the Adviser's vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by Avista personnel or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. If you would like a copy of the Adviser's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact Benjamin Silbert, the Avista Chief Compliance Officer, at 212-593-6900 and it will be provided to you at no charge.

FINANCIAL INFORMATION

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

SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF AVISTA CAPITAL HOLDINGS

Thompson Dean

Educational Background and Business Experience

Thompson Dean, born 1958, co-founded Avista in 2005 and serves as Co-CEO and Co-Managing Partner. Previously, Mr. Dean led DLJ Merchant Banking Partners for 10 years. Mr. Dean served as Managing Partner of DLJMB I, II and III and DLJ Growth Capital Partners until his departure in 2005 and was Chairman of their respective Investment Committees. Mr. Dean continues to serve as Co-Chairman of the Investment Committees of DLJMB II and III. Mr. Dean received a B.A. from the University of Virginia in 1979, where he was an Echols Scholar, and an M.B.A. with high distinction from Harvard Business School in 1984, where he was a Baker Scholar.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Dean.

Other Business Activities

Mr. Dean is not engaged in any investment-related business outside of his roles with Avista and its affiliated investment advisers.

Additional Compensation

Mr. Dean does not receive any additional compensation that is required to be disclosed.

Supervision

As Co-Managing Partner of Avista Capital Holdings, Mr. Dean is responsible for implementing and overseeing the investment strategy of the clients of Avista. Mr. Dean is not subject to the supervision of any other individual.

Steven Webster

Educational Background and Business Experience

Steven Webster, born 1951, co-founded Avista in 2005 and serves as Co-CEO and Co-Managing Partner. Prior to co-founding Avista, Mr. Webster served as the Chairman of DLJMB Global Energy Partners, a specialty group he developed for DLJMB which sourced, executed and managed DLJMB III's energy related investments from 1999 through June 30, 2005. Throughout his business career, Mr. Webster has been active in venture capital and investment activities in various industries, including energy. In the energy business, he co-founded and/or has been a lead investor in the E&P and service sectors, including Falcon Drilling, Carrizo, Grey Wolf, Hercules, Laredo, Peregrine and Union Drilling. In 1988, Mr. Webster founded an inland barge drilling contractor, Falcon, with modest capital and a single barge rig. As Falcon's CEO, he executed a bold consolidation and growth strategy, taking Falcon public in 1995 and merging with Reading & Bates in 1997, creating one of the world's largest offshore drilling contractors, R&B Falcon Corporation. In 1993, Mr. Webster co-founded Carrizo and was named its Chairman in 1997 when it was publicly listed. Carrizo has developed into a leading independent exploration and production company with operations in U.S. onshore shale basins and the North Sea. Mr. Webster has been a founder and lead investor in non-energy companies such as Crown Resources, Encore Bancshares, RediClinic, ELV Holdings, Savage Arms and Gow Communications. He was also a founding Trust Manager of Camden. Mr. Webster graduated in 1973 with a BSIM with distinction from Purdue University and in 1975 with an M.B.A. with high distinction from Harvard Business School, where he was a Baker Scholar. In 2009, Mr. Webster was awarded an honorary Doctor of Management degree from Purdue.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Webster.

Other Business Activities

Mr. Webster is not engaged in any investment-related business outside of his roles with Avista and its affiliated investment advisers.

Additional Compensation

Mr. Webster does not receive any additional compensation that is required to be disclosed.

Supervision

As Co-Managing Partner of Avista Capital Holdings, Mr. Webster is responsible for implementing and overseeing the investment strategy of the clients of Avista. Mr. Webster is not subject to the supervision of any other individual.

David F. Burgstahler

Educational Background and Business Experience

David F. Burgstahler, born 1968, co-founded Avista in 2005 and serves as President and Partner. Prior to joining Avista, Mr. Burgstahler was a Partner of DLJ Merchant Banking Partners. Mr. Burgstahler was at DLJ Investment Banking from 1995 to 1997 and DLJMB from 1997 to 2005. He worked previously at McDonnell Douglas (now Boeing) from 1987 to 1990 and Andersen Consulting (now Accenture) from 1991 to 1993. Mr. Burgstahler graduated with a B.S. in Aerospace Engineering from the University of Kansas in 1991 and received an M.B.A. from Harvard Business School in 1995.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Burgstahler.

Other Business Activities

Mr. Burgstahler is not engaged in any investment-related business outside of his roles with Avista and its affiliated investment advisers.

Additional Compensation

Mr. Burgstahler does not receive any additional compensation that is required to be disclosed.

Supervision

Mr. Burgstahler is subject to the supervision of Mr. Dean and Mr. Webster, who oversee all of the investment activities of Avista.

David A. Durkin

Educational Background and Business Experience

David Durkin, born 1968, co-founded Avista in 2005 and serves as Partner. Prior to joining Avista, Mr. Durkin was a Partner of DLJ Merchant Banking Partners. Mr. Durkin was at DLJ Investment Banking from 1996 to 2000 and DLJMB from 2000 to 2005. Prior to joining DLJ, Mr. Durkin worked as a public accountant for Arthur Andersen where he achieved the designation of CPA. He graduated from Stanford University in 1991 and received an M.B.A. from The Wharton School in 1996.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Durkin.

Other Business Activities

Mr. Durkin is not engaged in any investment-related business outside of his roles with Avista and its affiliated investment advisers.

Additional Compensation

Mr. Durkin does not receive any additional compensation that is required to be disclosed.

Supervision

Mr. Durkin is subject to the supervision of Mr. Dean and Mr. Webster, who oversee all of the investment activities of Avista.