

VALUEACT CAPITAL 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 Capital Management, L.P. ("ValueAct Capital" 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 Capital is also available on the SEC's website at: www.adviserinfo.sec.gov.

Material Changes

In 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV (formerly referred to as Part II of Form ADV). This is the first version of ValueAct Capital's Part 2 of Form ADV, which reflects those changes and is materially different from the Part II of Form ADV used by the Company in prior years.

Prior to registering with the SEC as an investment adviser in August 2010, ValueAct Capital served as an unregistered investment adviser in reliance on the "private adviser exemption" contained in section 203(b)(3) of the Investment Advisers Act of 1940 ("Advisers Act"). This brochure contains information about ValueAct Capital's business activities, which have not materially changed since the Company registered with the SEC as an investment adviser and last updated Part II of Form ADV in August 2010.

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Advisory Business

ValueAct Capital was founded in June 2000 and is owned 25% or more by ValueAct Holdings, L.P. ("VA Holdings"). ValueAct Capital Management, LLC serves as the general partner of the Company and is owned 25% or more by VA Holdings. None of the members of VA Holdings own 25% or more of ValueAct Capital.

As of February 28, 2011 the Company managed \$5.4 billion on a discretionary basis on behalf of seven clients, including one master fund and six feeder funds.

ValueAct Capital provides discretionary investment advice and management services to private investment funds (“private funds”), which may be organized as domestic or foreign limited partnerships. ValueAct Capital’s private funds generally 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 Capital 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 Capital currently manages two families of private funds, one of which employs long-term concentrated active value investing primarily in a select number of companies with a market capitalization of \$1 billion - \$8 billion (the “Legacy Fund”). The other private fund family (the “AllCap Fund”) invests approximately 80% of its assets in the Legacy Fund and approximately 20% of its assets in the private fund family managed by ValueAct SmallCap Management, L.P. (“ValueAct SmallCap”), an affiliate of ValueAct Capital. The private fund family managed by ValueAct Small Cap (the “SmallCap Fund”) employs long-term concentrated active value investing in a select number of companies that primarily have a market capitalization smaller than those of the Legacy Fund.

Since ValueAct Capital does not provide individualized advice to the investors in private funds, investors must consider whether a particular private fund meets their investment objectives and risk tolerance prior to investing. **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”). Therefore, this brochure is designed solely to provide information about ValueAct Capital and should not be considered to be an offer of interests in any ValueAct Capital private fund. Any such offer may be made only by delivery to the prospective investor of the CM for the private fund under consideration.**

ValueAct Capital currently provides advice to private funds, but reserves the right to provide advice to other types of clients. Any other client accounts would be managed in accordance with the client’s stated investment strategies, objectives, restrictions, and any other agreed upon guidelines.

Fees and Compensation

ValueAct Capital 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, and (2) authorize the payment of other fees/expenses to third-parties from the assets of the private funds.

Management Fees

ValueAct Capital’s private funds, and consequently the underlying investors, incur an annual “management fee” ranging from 1.0% to 2.0% (depending on the particular private fund and the

particular tranche of limited partnership interests that an underlying investor has invested in) based on the investor's capital account balance as of the end of the specified fee period. The management fee is charged quarterly, in arrears. If the general partner allows an investor in a private fund to withdraw capital from the private fund prior to the end of a quarter, the investor incurs a pro-rated management fee for the period in which the withdrawn assets remained invested in the private fund.

Investment personnel of ValueAct Capital may from time to time serve on the board of directors of public and private companies, including those in which the private funds invest ("portfolio companies"). In the case of portfolio companies, ValueAct Capital's investment personnel will give any directors' fees to the Company, which will offset the management fees paid by the private funds in the amount of the directors' fees. In addition, ValueAct Capital will give to the appropriate 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 Capital will offset the management fees paid by the private funds in the amount of any transaction or monitoring fees paid to ValueAct Capital or its affiliates in connection with a private fund's investment activities.

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 investment-related travel expenses related to private portfolio investments only, government expenses, administrative expenses, legal 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 Capital 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 Capital 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

Investors generally may withdraw their capital at the end of each calendar year, upon notice by September 30 of that year, subject to the lockup periods (as applicable, depending on the tranche

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

of limited partnership interests that an underlying investor has invested in) specified in each private fund's *CM*. Where lockup periods apply, investors in certain tranches generally have early withdrawal rights (subject to limitations as to the withdrawal amount and early withdraw fees, depending on the amount of capital withdrawn and the timing of the withdrawal).

ValueAct Capital and/or the general partner of the private funds have the authority to allow withdrawals other than at the end of each calendar year. In these instances, ValueAct Capital has the authority to require the investor to pay to the applicable private fund an amount that reflects the expenses incurred in facilitating the withdrawal. If ValueAct Capital and/or the general partner of the private funds allow an investor in a private fund to withdraw capital from the private fund prior to the end of a quarter, the investor incurs a pro-rated management fee for the period in which the withdrawn assets remained invested in the private fund.

Side Letters

ValueAct Capital may enter into side letter agreements with certain large or strategic investors granting them, among other things, greater portfolio transparency, additional rights to reports, reductions in fees, 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 may also include most favored nation clauses, key man provisions, restrictions with respect to permitted investment sectors, and allocations of private investments. Finally, ValueAct Capital reserves the right to charge reduced or no investment management and performance-based fees to ValueAct Capital, its affiliates, employees (and their immediate family members), and consultants. ValueAct Capital 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

ValueAct Capital's private funds charge a "performance allocation" equal to 20% of the net profits attributable to each investor, which is paid to ValueAct Capital or the general partners of the private funds either at the end of the year, at the end of a year that a lock-up period expires (as applicable based on the tranche invested in), upon withdrawal of capital, or upon transfer by an investor from one tranche to another. For withdrawals and transfers, the performance allocation only applies with respect to the amount of capital withdrawn or transferred.

The performance allocation is calculated as specified in each private fund's *CM*. Depending on the particular private fund (and the different investor tranches, as available for a particular private fund), high water marks, hurdle rates, and preferred returns may apply to the performance allocation. ValueAct Capital's performance fee is charged in compliance with Rule 205-3 under the Investment Advisers Act.

Finally, 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 Capital because all of the private funds incur performance-based fees.

Types of Clients

ValueAct Capital 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 Capital 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 may discuss information relevant to such investors, as necessary or appropriate. **Nonetheless, this brochure is designed solely to provide information about ValueAct Capital and should not be considered to be an offer of interests in any ValueAct Capital private fund. Any such offer may be made only by delivery to the prospective investor of the CM for the private fund under consideration.**

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 and wishing to invest in accordance with the private fund’s investment objective. Investors must meet the requirements for “qualified clients” under the Advisers Act to incur performance-based fees. In addition, each U.S. investor must be (i) an “accredited investor,” as defined in Regulation D promulgated under Securities Act and/or (ii) a “qualified purchaser,” as defined in Section 2(a)(51) of the IC Act, and must also meet other suitability requirements. Interests in offshore private funds may be purchased by tax-exempt U.S. investors that qualify as accredited investors and qualified purchasers, or by non-U.S. persons (as defined in Regulation S of the Securities Act).

Certain investors in the private funds may expose ValueAct Capital to potential conflicts of interest. For example, officers and directors of companies in which the private funds invest have invested in the private funds. Investments in the private funds by such parties may expose the Company to potential conflicts of interest with respect to proxy voting decisions and investment decisions and could expose ValueAct Capital to risks relating to the receipt of material nonpublic information or other confidential information relating to the company in question. ValueAct Capital may have a conflict between acting in the best interest of the private funds and making decisions that build goodwill with the aforementioned types of investors so they will maintain or increase their investments in the private funds.

In an attempt to detect potential conflicts of interest, ValueAct Capital takes the following steps: (1) the CCO or her designee monitor employees’ emails; (2) investment personnel must maintain research files that support the fact that ValueAct Capital has a reasonable basis for investment decisions; and (3) please see the “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” for additional information about the Company’s insider trading policy and the “Voting Client Securities” section for additional information the Company’s proxy voting policies and procedures.

Subscriptions

When accepting new investors, ValueAct Capital private funds generally require a minimum investment of \$10 million, but may accept lesser amounts at the discretion of ValueAct Capital and/or the general partner of the private funds.

Capital contributions may be accepted from time to time by the general partner. Each investor admitted to a private fund is required to fund 100% of its capital contribution on the date its subscription is accepted by the general partner.

Transfers

An investor may not pledge, assign, sell, exchange or transfer its interest (or any portion thereof), and no assignee, purchaser or transferee may be admitted as a substitute investor, except with the consent of the general partner, which consent may be given or withheld in its sole and absolute discretion.

Withdrawals

Specific procedures and restrictions apply to withdrawals, as more fully described in each private fund's *CM*. Investors generally may withdraw their capital at the end of each calendar year, upon notice by September 30 of that year, subject to the lockup periods (as applicable, depending on the tranche) specified in each private fund's *CM*. Where lockup periods are specified, investors in certain tranches generally have early withdrawal rights (subject to limitations as to the withdrawal amount and early withdraw fees, depending on the amount of capital withdrawn and the timing of the withdrawal). ValueAct Capital has the authority to allow withdrawals other than at the end of a calendar year. In these instances, ValueAct Capital has the authority to require the investor to pay to the applicable private fund an amount that reflects the expenses incurred in facilitating the withdrawal. If the general partner allows an investor in a private fund to withdraw capital from the private fund prior to the end of a quarter, the investor incurs a pro-rated management fee for the period in which the withdrawn assets remained invested in the private fund. Performance fees are payable at any time an investor withdraws capital from a private fund. The general partner may also, in its sole discretion, require an investor to withdraw all or part of its interest in a private fund upon not less than 10 or 20 days' prior notice, depending on the private fund.

Heirs to deceased investors may elect to withdraw all, but not a portion, of the deceased investor's Legacy Fund capital account balance at the end of a calendar year upon prior notice by September 30th of that calendar year. Such withdrawals by an heir to a deceased investor shall be charged the applicable performance fee plus fees and expenses to cover the withdrawal costs, but shall not be charged an early withdrawal fee.

Settlements of withdrawals will generally occur within 30 days following the withdrawal date, unless the withdrawal amount requires a computation that cannot be completed within such 30-day period, or a delay is otherwise required, in the opinion of ValueAct Capital or the general partner. In either event, payment shall be made as soon thereafter as practicable. If an investor elects to withdraw its entire capital account balance, the investor will be paid 90% of its estimated withdrawal proceeds (on the basis of unaudited data) generally within 30 days after the withdrawal date. The balance (subject to audit adjustments) will be paid, without interest, promptly following the completion of the audit for the year in which the withdrawal occurs.

A majority of the portfolio is generally held in liquid securities. ValueAct Capital may fund withdrawals in cash or, at the discretion of the general partner, as applicable, and to the extent practical, through in-kind distributions of portfolio securities, the fair market value of which would satisfy the withdrawal request. An investor that makes a withdrawal will not be able to withdraw that portion of its capital account that is invested in Private Portfolio Investments until such investments are liquidated or determined by the general partner to no longer be Private Portfolio Investments. Please see the “Methods of Analysis, Investment Strategies and Risk of Loss” section below for the definition of Private Portfolio Investments.

The general partner of a private fund may suspend, in whole or in part, withdrawal rights or the valuation of the private fund’s portfolio, or by extension, that of the relevant master fund when, among other things, the general partner believes that there exists a state of affairs as a result of which disposal of part or all of the assets of the private fund, or the valuation of the portfolio of the private fund, or by extension, that of the relevant master fund would not be reasonably practicable, would be seriously prejudicial to the investors or is necessary or advisable for the protection of the private fund. In the case of the Legacy Fund, withdrawals may be suspended during any period determined by the general partner to be necessary or advisable for the protection of the Legacy Fund. Before doing this, however, the general partner must obtain the majority consent of the Legacy Fund’s Advisory Committee. The Advisory Committee is comprised of representatives of investors in the Legacy Funds.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategy

ValueAct Capital’s investment strategy is to take a private equity-like approach to investing in the public markets. ValueAct Capital 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 many cases, ValueAct Capital then seeks to actively implement value-creating financial strategies and operational improvements in an attempt to generate a return substantially independent of the market. ValueAct Capital’s investment strategy is described in greater detail in each private fund’s *CM*.

Types of Investments

Investing in securities involves risk of loss that investors should be prepared to bear. ValueAct Capital invests primarily in equity and equity-linked securities of an issuer. ValueAct Capital may also invest in corporate debt securities and derivatives. Corporate debt securities include corporate bonds, debentures, notes and other similar corporate debt instruments, including convertible securities. In addition, ValueAct Capital may utilize financial instruments such as forward contracts, stock index futures and options, and swaps, caps, and floors both for investment purposes and to seek to hedge against fluctuations in the value of the private funds’ portfolios as a result of changes in currency exchange rates, market interest rates and equity prices. Finally, the private funds generally may not invest more than 25% of their assets, as of the date of the investment, in the securities of any one issuer.

ValueAct Capital will have the ability to invest from 0% to 33 1/3% (depending on the relevant tranche of interests) of the net asset value of each investor's capital account balance, through the master fund, in "Private Portfolio Investments," which are defined to include (i) securities of companies or other entities the shares or interests of which are held by fewer than 300 stockholders, (ii) any other company or entity that has, in the determination of the general partner, predominantly similar characteristics of such company or entity, (iii) any company or entity which, following the investment, will not have a publicly traded common equity, and (iv) any other investments deemed by the general partner, in its sole discretion, to present difficult valuation issues.

Each Private Portfolio Investment will be held in a separate sub-account on behalf of the private fund and capital allocated to each Private Portfolio Investment generally may not be withdrawn by an investor until the investment is liquidated or deemed liquidated by ValueAct Capital. Only those investors who are admitted to a private fund on a date a Private Portfolio Investment is made participate in the profits and losses associated with the Private Portfolio Investment. Certain investors have been given the ability, through side letters, to elect not to participate in any Private Portfolio Investments made after the date of their admission.

In certain instances, as mentioned in the governing documents, the private funds may co-invest with third parties through partnerships, joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the private funds, or may be in a position to take action contrary to the investment objectives of the private funds. In addition, the private fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

Finally, in its discretion, ValueAct Capital and/or the general partner of a private fund may permit or require certain investors to be excluded from making or holding a specific investment. As such, only the non-excluded investors will participate in such investment.

Sources of Information

Although ValueAct Capital utilizes information, reports, and data from various external sources, including consulting arrangements with independent analysts and meetings with the management of current and prospective portfolio companies, 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

The purchase of any tranche of interest 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 and as to an investment in a private fund generally.

Reliance on the General Partner, SmallCap Fund General Partner, Management Company and SmallCap Fund Management Company – The applicable general partner will be responsible for the overall management of each private fund. ValueAct Capital will be

responsible for selecting and monitoring investments of the Legacy Fund. The SmallCap Fund general partner will be responsible for the overall management of the SmallCap Fund. ValueAct SmallCap will be responsible for selecting and monitoring investments of the SmallCap Fund. ValueAct Capital will have no control over investment decisions made for the SmallCap Fund. The quality of the decisions of the general partner, the SmallCap Fund general partner, ValueAct Capital and the ValueAct SmallCap will determine the private funds' 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 – The success of the private funds depends upon the ability of ValueAct Capital's and ValueAct SmallCap's investment staff to continue to develop and implement investment strategies that achieve the private funds' investment objectives. If ValueAct Capital or ValueAct SmallCap were to lose the services of Mr. Ubben or Mr. David Lockwood, respectively, or either firm were to lose a significant number of other key investment staff, the consequence to the private funds could be material and adverse and could lead to the premature termination of the private funds.

Risks of Particular Investments – Investments by the private funds will be subject to all of the risks attendant to any investment in equity securities. In addition to the factors discussed elsewhere in each private fund's *CM*, investments may decline in value for any number of reasons over which the private funds may have no control, including changes in the overall market for equity securities and factors pertaining to particular portfolio securities, such as management, the market for the issuer's products or services, sources of supply, scientific or technological changes within the issuer's industry, the availability of additional capital, and labor and other similar conditions.

Active Investing Strategies – "Active investing" strategies may prove ineffective for a variety of reasons, including, among other things: (i) opposition of the management or shareholders of the subject company, which may result in litigation; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in securities prices; and (v) corporate governance mechanisms such as composition of the board appointed by the management. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or the private funds and such regulatory agencies may independently investigate the participants in a transaction as to compliance with securities or other law. Further, successful execution of active investing strategies may depend on the active cooperation of shareholders and others with an interest in the subject company. Some of such actors may have interests which diverge significantly from those of the private funds and some of those actors may be indifferent to the actions proposed by ValueAct Capital. Moreover, securities which ValueAct Capital believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at price and/or within the time frame ValueAct Capital anticipates even if an active investing strategy is successfully implemented.

Inside Information – From time to time, the members or employees of the general partner and/or ValueAct Capital may come into possession of material, non-public information concerning an

entity in which the private funds have invested or propose to invest. This is particularly relevant to ValueAct Capital because often its employees serve as directors of the private funds' portfolio companies. Applicable law may limit the ability of the private funds to buy or sell securities of such entity while such information remains non-public and material. The resulting illiquidity may result in delays and additional costs and transactions may be possible only at substantial discounts.

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

There is a significant risk that the private funds will be unable to realize their investment objectives by the sale or other disposition of portfolio companies at attractive prices or that it will otherwise be unable to complete any exit strategy from portfolio companies. Some portfolio securities may be thinly traded and relatively illiquid, even if they are publicly traded, and a significant portion of the private funds' portfolio may be securities not publicly traded at all. The private funds often own a relatively large percentage of an issuer's equity securities and/or in certain situations ValueAct Capital's and/or ValueAct SmallCap's employees serve on the issuer's board of directors. Therefore, the private funds, ValueAct Capital, and/or ValueAct SmallCap may be deemed to be "affiliates" or "control" persons with respect to certain portfolio companies. The private funds also invest in securities and other financial instruments or obligations for which no market exists and/or which are restricted as to their transferability under federal or state securities laws. Therefore, significant legal or practical limitations may inhibit the private funds' ability to liquidate certain of their investments promptly, which could adversely affect their gain or loss on the investment. The sale of any such investments may be subject to delays and additional costs and may be possible only at substantial discounts.

Concentration of Investments – Each private fund's investment portfolio may be confined to the securities of relatively few issuers. The general partner may permit any of the private funds to invest (indirectly, through the applicable master fund) up to 25% of its net asset value (measured as of the date the investment is made) in any single issuer or security. As a result of these factors, each private fund's portfolio may be heavily concentrated, which will increase the risk of an investment in a private fund by increasing the relative impact which each portfolio investment will have on the overall performance of the private fund. As a result of this lack of diversification, a significant loss in any single issuer, or a material economic, regulatory or other change affecting a particular industry, may have a material adverse effect on the performance of a private fund.

Expedited Transactions – Investment analyses and decisions by the ValueAct Capital will often be undertaken on an expedited basis in order for the private funds to take advantage of investment opportunities. In such cases, the information available to ValueAct Capital at the time of an investment decision may be limited, and ValueAct Capital may not have access to the detailed information necessary for a full evaluation of the investment opportunity. In addition, ValueAct Capital may rely upon independent consultants in connection with its evaluation of proposed investments. There can be no assurance that these consultants will accurately evaluate such investments.

Small Capitalization Stocks – The SmallCap Fund will invest substantially all of its assets in the equity and debt 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.

Risks on Allocation of 80% and 20% to the Legacy Fund and SmallCap Fund Interests –

The sole activity of the AllCap Fund is to invest 80% of its assets in the Legacy Fund and 20% of its assets in the SmallCap Fund. Neither the applicable general partner nor any investor has the right to adjust the percentage allocation of the AllCap Fund's investments in the Legacy Fund and SmallCap Fund following such initial allocation. An investor bears the risks of the performance of the Legacy Fund and SmallCap Fund as if it had invested directly in such private funds.

Private Portfolio Investments – With respect to the private funds' investments in certain Private Portfolio Investments, valuation and/or liquidation of such investments may not be possible at the time an investor seeks to withdraw any portion of its capital accounts invested in a Private Portfolio Investment. Withdrawals from the private funds with respect to such Private Portfolio Investments cannot be made until the investments can be liquidated or until the applicable general partner determines that a Private Portfolio Investment is no longer a Private Portfolio Investment. Therefore, investors may not be able to readily liquidate their entire capital accounts with respect to the private funds for a significant period of time.

Third Party Involvement – The private funds may co-invest with third parties through partnerships, joint ventures, or other entities. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the private funds, or may be in a position to take action contrary to the investment objectives of the private funds. In addition, the private funds may in certain circumstances be liable for actions of their third-party co-venturer or partner.

Economic Conditions and Recent Events – Changes in economic conditions — including, for example, interest rates, availability of credit, inflation rates, industry conditions, changes in market liquidity, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors — may adversely affect the value of the private funds' investments and the business and prospects of the private funds. While ValueAct Capital maintained its investment strategy and managed investor redemptions during 2007 and 2008 through highly adverse conditions and without imposing gates or lock ups on withdrawals, there can be no assurance that ValueAct Capital will be able to maintain its investment strategy or provide the same level of cash redemptions to investors during another period of severe economic stress. The current global economic environment may continue to contribute to market volatility and may have long term effects on the U.S. and international financial markets. Various sectors of the global financial markets have also been experiencing an extended period of adverse conditions. These conditions have resulted in reduced liquidity, greater volatility, general widening of credit spreads, and a lack of price transparency. The short- and longer-term impact of these events is uncertain, but could have a material effect on general economic conditions, consumer and business confidence and market liquidity. In the event of a prolonged market downturn, the private funds could be affected in many ways, including by reducing the value or performance of the investments that ValueAct Capital manages or by reducing the ability of the private funds to raise or deploy capital, each of which could negatively impact the private funds'

net income and cash flow and adversely affect the private funds' financial condition. Investments made by the private funds are expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility which could have a material adverse effect on the performance of the private funds and these or similar events may affect the ability to execute the investment strategies of the private funds. ValueAct Capital cannot predict how long these events will continue and cannot predict the effects of these or similar events in the future on the private funds or the global economy and securities markets.

Market Disruptions – The private funds may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationship (on which ValueAct Capital bases a number of its trading positions) become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the private funds, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. The financing available to the private funds from their banks, dealers, and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the private funds.

Investment and Trading Risks – The private funds 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. To a limited extent, the private funds' investment programs may utilize such investment techniques as margin transactions, short sales, leverage, and options on securities, which practices can, in certain circumstances, significantly increase the risks to which the private funds may be subject.

Leveraged Investments – The private funds occasionally invest in companies that have a significant amount of indebtedness. In addition, certain investments may incur significant indebtedness in connection with various corporate transactions, such as acquisitions, self-tender offers, recapitalizations, and others. A highly leveraged company is generally more sensitive to downturns in its business and to changes in prevailing economic conditions than is a company with a lower level of debt. In addition, companies with a significant level of debt may be limited in their ability to fund expenditures and to react to changes in their businesses and industries and may be restricted in their ability to borrow additional funds.

Potential Exposure of Assets – Assets of a private fund may be deposited as margin or pledged as collateral with brokers. Such assets need not be segregated and may become available to the creditors of such brokers in the event of the insolvency of such brokers. Securities pledged by a private fund as collateral with a prime broker may be available to the creditors of such prime broker in the event of such prime broker's insolvency. In certain circumstances, a prime broker also may have the discretion to liquidate a private fund's assets held by such prime broker.

Use of Leverage – The private funds may leverage their investment positions by borrowing funds from securities broker-dealers, banks, or others. The Legacy Fund’s leverage is limited to 15% of its net asset value. There is no limit on leverage for the SmallCap Fund. From time to time, the private funds may borrow significant amounts to take advantage of perceived opportunities, such as short-term price disparities between markets or related securities. Such leverage increases both the possibilities for profit and the risk for loss. Borrowings (and in some cases guarantees of performance of the private funds’ obligations) will usually be from (or, in the case of guarantees, by) securities brokers and dealers and will typically be secured by the private funds’ securities and other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the private funds’ obligations and if the private funds were unable to provide additional collateral, the broker-dealer could liquidate assets held in the accounts to satisfy the private funds’ obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the private funds’ borrowings and the interest rates on those borrowings, which will fluctuate, can have a significant effect on the private funds’ profitability.

Foreign Securities – The private funds may, on occasion, invest in foreign securities. Investments in securities of non-U.S. issuers (including foreign governments) and securities denominated or whose prices are quoted in non-U.S. currencies pose currency exchange risks (including blockage, devaluation, and non-exchangeability) as well as a range of other potential risks which could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. companies may not be subject to accounting, auditing, and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Transaction costs of investing in non-U.S. securities markets are generally higher than in the U.S.

Corporate Debt Securities – The private funds may invest in corporate debt securities. Corporate debt securities include corporate bonds, debentures, notes, and other similar corporate debt instruments, including convertible securities. The investment return on a corporate debt security reflects interest earnings and changes in the market value of the security. The market value of a corporate debt security will generally increase when interest rates decline and decrease when interest rates rise. There is also the risk that the issuer of a debt security will be unable to pay interest or principal at the time called for by the instrument.

Hedging Transactions – The private funds may utilize financial instruments such as forward contracts, stock index futures and options, and swaps, caps, and floors both for investment purposes and to seek to hedge against fluctuations in the value of the private funds’ portfolios as a result of changes in currency exchange rates, market interest rates, and equity prices. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions’ value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not be possible for the private funds to hedge against an exchange rate, interest rate, or equity price fluctuation that is so

generally anticipated that the private funds are not able to enter into a hedging transaction at a price sufficient to protect the private funds from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

The success of the private funds' hedging transactions will be subject to ValueAct Capital's ability to correctly predict movements in the direction of interest rates and equity prices. Therefore, while the private funds may enter into such transactions to seek to reduce interest rate or equity value risks, unanticipated changes in interest rates may result in a poorer overall performance for the private funds than if they had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, ValueAct Capital may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the private funds from achieving the intended hedge or expose the private funds to a risk of loss. The successful use of hedging and risk management transactions requires skills complementary to those needed in the selection of the private funds' portfolio holdings.

Short Selling – The private funds' investment programs may include short selling. Short selling involves the sale of a security that the private funds do not own in the hope of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. To make delivery to the buyer, the private funds must borrow the security and are obligated to return the security to the lender, which is accomplished by a later purchase of the security. The private funds would realize a profit or a loss as a result of a short sale if the price of the security decreases or increases between the date of the short sale and the date on which the private funds cover their short position, (e.g., purchase the security to replace the borrowed security). Short selling allows an investor to profit from declines in securities prices. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the private funds of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Additionally, certain market participants could accumulate such securities in a "short squeeze," which would reduce the available supply, and thus increase the cost, of such securities. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. The applicable general partner, ValueAct Capital, and ValueAct SmallCap shall have sole discretion in determining when, whether, and in what manner to engage in short selling. In response to recent dislocations in the financial services industry and other market events, the SEC, the United Kingdom Financial Services Authority, and securities regulators of many other jurisdictions have implemented certain prohibitions and disclosure requirements on short selling of securities. Any limitations on the short selling of securities could interfere with the ability of the private funds to execute certain aspects of their investment strategies, including their ability to hedge certain exposures and execute transactions to implement their risk management guidelines, and any such limitations may adversely affect the performance of the private funds.

Disciplinary Information

SEC Investigation – Beginning in March, 2008, the SEC commenced a formal 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 SEC and, subsequently, the U.S. Attorney's Office for the Northern District of California, throughout their investigations, which included responding to document requests and inquiries. On October 30, 2009, the SEC filed charges 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 who were also charged in the action. ValueAct Capital's name did not appear in the SEC complaint. The SEC has confirmed that ValueAct Capital was not implicated in any way in these matters and issued a "No Action" letter to ValueAct Capital in January 2009. The U.S. Attorney's Office has advised ValueAct Capital that it is viewed as a potential victim of an alleged federal crime. Although ValueAct Capital's former CFO at this point has not been criminally charged, his brother-in-law was charged by the U.S. Attorney's Office 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 that he received certain inside information from the former CFO. The SEC action against the former CFO, his brother-in-law and others remains pending. ValueAct Capital has no information at this time as to whether the former CFO will also be charged by the U.S. Attorney with respect to this matter.

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 Partners I, LLC, an affiliate of ValueAct Capital, serves as the general partner of the domestic and offshore feeder funds and the master funds. In addition, ValueAct Capital is affiliated with an investment adviser, ValueAct SmallCap, which manages its own private fund family. 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 of ValueAct SmallCap's private fund family. Two of ValueAct Capital's private funds, one onshore feeder fund and one offshore feeder fund (the AllCap Funds), invest 20% of their investors' capital in the master fund managed by ValueAct SmallCap.

ValueAct Capital has entered a Services Agreement with ValueAct SmallCap, 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. 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 Capital 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 Capital has a nondisclosure or standstill agreement in place, and companies where ValueAct Capital, its partners, or its employees may have received material nonpublic information in an attempt to prevent employees from engaging in improper personal securities transactions and to otherwise detect and prevent potential conflicts of interest.

ValueAct Capital, its partners, 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 Capital's partners and/or employees may invest in third-party private investment funds that invest in some of the same securities ValueAct Capital invests in on behalf of the private funds. Further, from time to time, ValueAct Capital, its affiliates, their employees, and/or their partners may have an investment position or interest in the same securities recommended to or owned by the private funds. As such, ValueAct Capital may purchase or sell for the private funds securities of an issuer in which ValueAct Capital, its affiliates, their employees, and/or their partners also have an investment position or interest. Finally, ValueAct Capital, its partners, and/or its 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.

Code of Ethics (“Code”)

ValueAct Capital 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 investors. A basic tenant of ValueAct Capital’s Code is that the interest of clients is always placed first. The Code includes standards of conduct requiring ValueAct Capital’s employees to comply with federal securities laws and the fiduciary duties an investment adviser owes to its clients.

Under the Code, no access person² may engage in a transaction in any security of a Contractually Restricted Company³ or in any security of any company when one or more individuals at ValueAct Capital or ValueAct SmallCap may have material, non-public information. In addition, ValueAct Capital access persons generally may not trade in the securities of any issuers with a market capitalization from \$750 million to \$8.0 billion or securities of issuers of Restricted Securities. Current Access Persons with existing positions in such Restricted Securities owned as of August 1, 2010 or any such Restricted Securities⁴ held by new access persons as of the date of their employment may sell such positions, but must pre-clear their sales through the CCO.

The Code also requires employees to pre-clear any transactions in securities acquired in any initial public offering or limited offering (e.g., investments in private investment funds). All employees must provide to ValueAct Capital 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 Capital to comply with ethical restraints relating to investors and their accounts, including restrictions on giving gifts to, and receiving

² The term “**Access Person**” means (i) any Supervised Person who (1) has access to nonpublic information regarding a Client’s purchase or sale of Securities; or (2) is involved in making Securities recommendations to Clients or who has access to such recommendations that are nonpublic; (ii) all of the directors, officers or partners of ValueAct Capital and (iii) any other person who the CCO determines to be an Access Person. The term “**Supervised Person**” means (i) any director, partner or officer of ValueAct Capital, or other person occupying a similar status or performing similar function; (ii) any employee of ValueAct Capital; and (iii) any other persons who provide advice on behalf of ValueAct Capital and are subject to ValueAct Capital’s supervision and control.

³ Any company with which ValueAct Capital has entered a standstill or non-disclosure agreement that include terms restricting certain trading activity.

⁴ The term “**Restricted Securities**” shall include (i) securities of issuers with a market capitalization from \$750 million to \$8.0 billion at the time of the trade; (ii) securities of issuers on the ValueAct Capital and ValueAct SmallCap Restricted List; (iii) securities of issuers with which ValueAct Capital or ValueAct SmallCap has a confidentiality agreement pursuant to which certain trading activity is restricted; 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.

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 Capital, its partners, 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 Capital, its partners, 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 Capital, its partners, 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. ValueAct Capital 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 Capital, its partners, and its employees.

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

Participation by ValueAct Capital Personnel in Private Fund Profits

Certain partners and other employees of 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 Capital's partners hold interests in the general partners and management companies of the private funds and in this manner share in revenue generated by private funds (e.g., performance allocation and management fee revenue). Finally, investments by 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.

Brokerage Practices

Prime Broker

ValueAct Capital may select one or more firms to serve as 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, a 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. ValueAct Capital may select prime brokers that provide 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 Capital, on behalf of the private funds, has entered into a prime brokerage relationship with BNP Paribas Prime Brokerage, Inc. ("BNP"). BNP will clear (generally on the basis of payment against delivery) each master fund's securities transactions which are effected through

broker-dealers, serve as custodian of the master fund's assets, lend securities which are sold short, and provide margin credit.

ValueAct Capital is not required to maintain its relationship with BNP and may change or add additional prime brokerage relationships at any time. However, ValueAct Capital will provide appropriate notice upon opening such an account and upon any changes to relevant information about the prime broker(s) or the manner of custody.

Selection of Brokers

ValueAct Capital's investment strategy is centered on the acquisition of large ownership stakes in a limited number of companies where ValueAct Capital is often seeking a multi-year investment opportunity. Therefore, for ValueAct Capital, best execution tends 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 Capital's research generally results in a price range in which ValueAct Capital is willing to acquire and eventually sell a position. Traders are given price parameters to buy/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.

Within this context, it is the policy of ValueAct Capital to seek best execution for its client accounts. In fulfilling its duty to seek best execution, ValueAct Capital seeks to obtain the most favorable terms for each transaction reasonably available under the circumstances. In placing brokerage, ValueAct Capital 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.

As mentioned above, because ValueAct Capital's principal investment strategy is to seek to obtain significant ownership stakes in public and private companies, particular focus may be given to placing transactions with broker-dealers who are able to effectuate trades in a manner that maximizes desired execution while minimizing market impact. In addition, ValueAct Capital may select broker-dealers based on the research, information, and other services provided by such broker-dealers that may benefit client accounts.

It is not always possible to place a dollar value on the execution or research services ValueAct Capital receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by ValueAct Capital 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 Capital 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 Capital's overall duty to client accounts.

ValueAct Capital 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 Capital 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.

From time to time, ValueAct Capital may establish target levels of commissions for a particular broker-dealer. The target levels of commissions generally will be determined on a case by case basis taking into consideration ValueAct Capital's evaluation of the execution and research services provided by the particular broker-dealer and the other factors listed above. However, if a broker-dealer indicates that a certain level of commissions is desired in return for certain research, execution, and prime brokerage services provided by the broker, ValueAct Capital may take this factor into consideration.

Certain employees have relatives who work for broker-dealers that have a trading or investment banking relationship with ValueAct Capital. While this may represent a potential conflict of interest involving ValueAct Capital's selection of broker-dealers, ValueAct Capital 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 Capital 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 Capital'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 Capital may take 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 Capital may direct brokerage transactions for client accounts to broker-dealers who provide ValueAct Capital with such products and services. The brokerage commissions used to acquire such products and services in these arrangements are known as "soft dollars."

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 Capital may direct brokerage transactions to acquire either type of research and execution services.

SEC regulations provide a "safe harbor" which allows an investment adviser to pay for research and brokerage products and services with commission dollars generated by client account

transactions. In determining whether a service or product qualifies as research or brokerage, ValueAct Capital evaluates, among other things, whether the service or product provides lawful and appropriate assistance to ValueAct Capital in carrying out its investment decision-making responsibilities. ValueAct Capital generally limits its use of soft dollars to pay for research and execution services that fall within the safe harbor.

ValueAct Capital may use soft dollars to pay for a portion of “mixed use” items (products or services that include both safe harbor eligible research/brokerage elements and non-safe harbor eligible research/brokerage elements). When ValueAct Capital acquires a particular product or service, it generally uses available soft dollar credits to pay for the portion of the product or service deemed to fall within the safe harbor and uses hard dollars to pay for the portion of the product or service that falls outside of the safe harbor. Although the allocation between soft dollars and cash is not always capable of precise calculation, ValueAct Capital will make a good faith effort to allocate such items reasonably. The determination as to the percentage of the cost of particular products and services that ValueAct Capital will pay with soft dollars versus hard dollars does not involve a conflict of interest that would traditionally exist because the private funds otherwise incur hard dollar costs and expenses associated with brokerage and research-related products and services (see “Fees and Compensation” section above). As such, ValueAct Capital does not have an incentive to inflate the percentage of the cost of a particular product or service that it believes fall under the category of “safe harbor eligible.”

The generation and use of soft dollars to acquire brokerage and research-related products and services benefits ValueAct Capital by allowing ValueAct Capital, at no cost to it, to supplement its own research and analysis activities, to receive the views and information of individuals and research staffs of other securities firms, and to gain access to persons having special expertise on certain companies, industries, areas of economy, and market factors. Research and brokerage products and services acquired with soft dollars include research on market trends, special reports on the economy, industries, sectors, and individual companies or issuers (including current and historical financial data on such companies, issuers, or industries); research as to credit-worthiness of issuers; technical and statistical studies and information; accounting and tax law interpretations; political analyses; reports on legal developments affecting portfolio securities; information on technical market actions; credit analyses; on-line quotation and trading systems; investment risk measurement resources; analyses of corporate responsibility issues; online news services; and financial and market database services.

ValueAct Capital may have an incentive to select or recommend a broker-dealer based on the Company’s interest in receiving the research or other products or services, rather than on the Company’s clients’ interest in receiving most favorable execution. However, as mentioned above, the acquisition of products and services using soft dollars versus hard dollars does not involve a conflict of interest that would traditionally exist because the private funds otherwise incur hard dollar costs and expenses associated with brokerage and research-related products and services. In addition, brokerage and research products and services obtained with soft dollars may be used by both ValueAct Capital and its affiliate, ValueAct SmallCap. ValueAct Capital and ValueAct SmallCap do not necessarily seek to allocate soft dollar benefits to their client accounts proportionately to the soft dollar credits the accounts generate.

In an attempt to control the use of soft dollars and detect and prevent potential compliance-related concerns, ValueAct Capital's internal procedures require the Trading and Best Execution Committee to approve in advance all soft dollar arrangements and review such arrangements not less than annually. The Trading and Best Execution Committee will consider:

- Whether the product or service is eligible under the Section 28(e) safe harbor;
- Whether the product or service should be paid for in whole or in part with hard dollars; and
- Whether the use of soft dollars to obtain the product or service requires additional disclosures to clients or investors.

In connection with the approval by the Trading and Best Execution Committee, ValueAct Capital may execute trades that include a soft dollar component. Although the value of the product or service may be a factor in ValueAct Capital's determination to execute trades with a particular broker-dealer, ValueAct Capital must determine that the commission paid to the broker is reasonable in relation to the value of the brokerage and research service received, viewed either in terms of a particular transaction or ValueAct Capital's overall duty to its client accounts. Employees that use soft dollar products and services must report any potential concerns to the Trading and Best Execution Committee, which shall determine whether any action is necessary and document the matter as well as the final response.

Brokerage for Referrals

ValueAct Capital generally does not consider investor referrals from broker-dealers or other third parties in selecting or recommending the prime broker, brokers, or dealers to execute client transactions.

In order to mitigate potential conflicts of interest detected or reported with respect to referral arrangements, ValueAct Capital uses a Trading and Best Execution Committee to oversee the Company's trading practices. The committee shall meet approximately semi-annually, and as necessary, and will review, among other things, potential conflicts of interest (including client or investor referrals) that influence, or may appear to influence, ValueAct Capital's direction of brokerage. In addition, the CCO, or her designee, shall review referral arrangements to monitor compliance with regulatory requirements, including the adequacy of adopted policies and procedures and disclosures made to clients and investors.

Please see the Client Referrals and Other Compensation section, below, for additional information.

Directed Brokerage

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

Trade Aggregation and Allocation

ValueAct Capital'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. To the extent that ValueAct Capital provides investment advice to multiple clients that do not conduct their trading activities through the master fund (e.g., if ValueAct Capital in the future opens new private funds or gains managed account clients), ValueAct Capital will generally allocate investment opportunities among the master fund and such accounts in a manner determined by ValueAct Capital to be fair and equitable, taking into consideration, among other things, the amount of securities available, the nature of the securities being acquired or sold, the amount of capital in each client account, the amount of cash available for investment for each client account, the stated investment objectives of each client, the investment or regulatory restrictions applicable to the client, and other relevant factors.

Exceptions to strict pro rata allocation of partially filled orders may include, without limitation, the avoidance of a client's holding odd lots or similar de minimis numbers of shares, or the payment of additional ticket costs charged by broker-dealer custodians. In such cases, ValueAct Capital may increase or decrease the amount of securities that would otherwise be allocated to each account by reallocating the securities in a manner which ValueAct Capital deems fair and equitable to clients over time.

In certain limited instances, ValueAct Capital may coordinate with an affiliated investment adviser when investment opportunities become available that are suitable for both investment advisers' clients. In allocating investment opportunities between ValueAct Capital's client accounts and those of its affiliated investment adviser, ValueAct Capital and its affiliated investment adviser will consider the factors described directly above.

To the extent that ValueAct Capital purchases or sells securities of the same issuer at the same time for the master fund and other client accounts, including those of an affiliated investment adviser, ValueAct Capital may submit an aggregated trade for execution if ValueAct Capital believes that the use of an aggregated trade reasonably furthers its efforts to seek best execution. Participants in aggregated trades receive the average execution price and incur their pro rata share of the trading costs.

To the extent that partial fills occur, ValueAct Capital will allocate the results of the partially completed trade pro rata based on the initial allocation instructions submitted for execution. Impacted accounts receive the average execution price and incur their pro rata share of the trading costs with respect to the partially completed trade.

"New Issues"

ValueAct Capital allocates initial public offerings of equity securities registered under the Securities Act ("new issues") in accordance with FINRA Rule 5130, which generally prohibits FINRA members and their associated persons from, among other things, selling any new issue securities to any FINRA member or other broker/dealer, to any associated person of a FINRA member or other broker/dealer, to any person who has authority to buy or sell securities for a bank, savings and loan institution, insurance company, investment company, investment adviser,

or collective investment account, or to certain other restricted purchasers (collectively, “Restricted Persons”). In certain limited circumstances, Rule 5130 permits Restricted Persons to participate indirectly in profits and losses from new issues as beneficial owners of certain exempt accounts and entities or of otherwise “qualified accounts.” In order for an account to be considered a “qualifying account,” either Restricted Persons own, in the aggregate, no more than 10% of the beneficial ownership interests in the account or, if Restricted Persons own, in the aggregate, more than 10% of such beneficial ownership interests, Restricted Persons may not receive, in the aggregate, more than 10% of the profits and losses from new issues. Under ValueAct Capital’s allocation procedures, only persons that are eligible under Rule 5130 participate in new issue securities will do so.

Cross Trades

As a general business practice, ValueAct Capital does not engage in cross trades between its client accounts and those of its affiliated investment adviser, ValueAct SmallCap. However, when consistent with its duty to seek to obtain best execution, ValueAct Capital may cross trades between its client accounts and those of ValueAct SmallCap, when such accounts wish to trade in opposite directions in the same securities. A cross trade occurs when ValueAct Capital purchases and/or sells a particular security between accounts under its management and those under ValueAct SmallCap’s management by instructing the broker-dealer to cross the trade. ValueAct Capital and ValueAct SmallCap utilize cross trades when each party specifically deems the practice to be advantageous for its respective clients. In no instance does ValueAct Capital or ValueAct SmallCap receive additional compensation when crossing trades for client accounts. ValueAct Capital will seek to ensure that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable, and the transaction is done for the sole benefit of its clients.

Although rare, ValueAct Capital believes that its clients benefit from these types of transactions by obtaining a more favorable transaction price or liquidity for the securities being purchased or sold than may otherwise be available. ValueAct Capital and ValueAct SmallCap only engage in such transactions after determining that such securities are suitable and appropriate for each participating client. Broker-dealers who facilitate the execution of these cross transactions typically charge a reduced commission (i.e., agency commission or a mark-up or mark-down on the price of the security) for their efforts. Purchase and sale orders in the same security will be simultaneously entered through and affected by a non-affiliated broker-dealer at the then current market price as determined by the broker-dealer. ValueAct Capital reviews such trades to confirm that the compensation paid to the broker-dealer to execute these types of transactions appears to be reasonable and commensurate with the level of services being provided.

In acting as investment adviser and fiduciary to both buyer and seller, ValueAct Capital and ValueAct SmallCap, their partners, and their employees (“internal owners”) may be exposed to a conflict of interest to the extent that they own interests in the private funds involved in the cross trade. To the extent that internal owners only have interests in one of the two private funds involved in a cross trade, or if internal owners have a significantly greater interest in one of the two private funds involved in a cross trade, ValueAct Capital or ValueAct SmallCap may be predisposed to favoring one side of the trade in order to maximize the benefit to internal owners. In addition, ValueAct Capital or ValueAct SmallCap may have an incentive to favor one side of a

cross trade in order to maximize its revenues, depending on the fee structure of the private funds involved in a cross trade. In order to mitigate this, and any other potential conflicts of interest detected or reported, ValueAct Capital and ValueAct SmallCap each use a Trading and Best Execution Committee to oversee these trading practices. In addition, ValueAct Capital's and 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.

Trade Error Policy

As a general practice, ValueAct Capital 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 Capital 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 Capital. In addition, ValueAct Capital 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 Capital's liability to clients for losses is described in the offering documents for the private funds. The self-assessment by ValueAct Capital as to whether a trade error loss resulted from bad faith, gross negligence, or will misconduct may expose ValueAct Capital to a potential conflict of interest. ValueAct Capital 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 Capital's trade error procedures require employees to notify the COO and CCO upon the discovery of a possible trade error. If the trade error is material in nature or cannot be easily resolved by the COO and the trader, the COO, the CCO 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 take place with respect to the error. If deemed necessary, the members of the Compliance Committee shall consult with outside counsel regarding the resolution of the situation. ValueAct Capital's procedures require the Company to maintain documentation discussing the factors considered by ValueAct Capital in determining whether a trade error was due to its willful misconduct, gross negligence or fraud.

Backup Trading Arrangements

ValueAct Capital 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 Capital also reserves the right to compensate a private contractor, who is related to a current ValueAct SmallCap employee, to serve as another backup trading solution. ValueAct Capital'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 a committee comprised of certain partners and employees of the firm generally on a weekly basis or more frequently if market circumstances warrant. Periodic

account reviews consist of an analysis of the account's performance to date in light of its investment objectives and an evaluation of any appropriate changes which should be made to its portfolio in light of its current positions, the exposure of the portfolio to various forms of risk, and ValueAct Capital's ongoing assessment of the overall market, current portfolio companies, and alternative investment opportunities.

Private fund investors receive written reports as described in the applicable *CM*. ValueAct Capital generally supplies monthly capital account balance statements and unaudited financial statements, quarterly reports to investors that may include investment and market summaries as well as the performance of the applicable private fund versus that of a benchmark selected for comparison to broad market performance. 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.

ValueAct Capital and/or the applicable general partner of the private funds may offer certain investors, upon verbal request or through written side letter agreements, additional information and reporting that other investors may not receive, and such information may affect an investor's decision to request a withdrawal of its interests. ValueAct Capital'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 the detriment of other investors.

Client Referrals and Other Compensation

Rule 206(4)-3 specifies certain standards that must be met by an investment adviser prior to the payment of a cash fee directly or indirectly, for a client solicitation or referral. In the event that ValueAct Capital pays cash referral fee fees to attain clients (as opposed to investors for its private funds), the referral agreement, disclosures, and all related activities must comply with Rule 206(4)-3 under the Advisers Act.

Management fees charged by ValueAct Capital to clients or private fund investors introduced by a solicitor or capital introduction program will not be any higher than those charged to similar clients or investors not introduced by a solicitor or capital introduction program.

Capital Introduction Program

ValueAct Capital may benefit from the capital introduction services provided by its prime broker. ValueAct Capital does not have any formal agreement to directly pay its prime broker for referring investors to its private funds. However, ValueAct Capital may face a conflict of interest between directing trades to the prime broker's associated trading desk when the prime broker refers investors and directing trades among various other broker-dealer options based solely on the ability to achieve best execution.

Client Service/Marketing Agreements

In addition, ValueAct Capital has an agreement with an affiliate to provide marketing and client services to clients located in Australia and the Middle East. The affiliate will maintain communications with clients that it identifies as suitable leads for ValueAct Capital in an effort to develop such leads into clients for ValueAct Capital, and will assist ValueAct Capital in responding to requests for proposals and in assembling marketing materials once such prospective clients are identified. The affiliate pays for all fixed expenses associated with establishing and maintaining its presence in Australia and the Middle East. ValueAct Capital pays for a portion of the variable expenses. The affiliate provides these services at cost and the arrangement is solely designed to apply to prospective investors that wish to invest in private investment funds.

Custody

As general partner and/or investment manager of the private funds, ValueAct Capital and/or its affiliates have the authority to directly access the funds or securities of such private funds. ValueAct Capital and/or its affiliates have the authority to automatically deduct fees and expenses payable to ValueAct Capital, the applicable general partner of the private funds, and/or third-party service providers with respect to each private fund by sending instructions directly to the custodian (i.e., the prime broker). In each such case, ValueAct Capital will be deemed to have custody of the client's assets under the Custody Rule. ValueAct Capital 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 fund.

Investment Discretion

ValueAct Capital is retained with respect to its private fund clients on a discretionary basis and is authorized to make the following determinations in accordance with a 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 Capital 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 Capital has investment discretion over the private funds' 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 Capital's investment discretion with respect to the private funds. However, ValueAct Capital may enter 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. Side letter agreements may also include most favored nation clauses, key man provisions, restrictions with respect to permitted investment sectors, and allocations of private investments. Finally, ValueAct Capital reserves the right to charge reduced or no investment management and performance-based fees to ValueAct Capital, its affiliates, employees, consultants, and their immediate family members. ValueAct Capital 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 Capital has written proxy voting policies and procedures as required by Rule 206(4)-6 under the Advisers Act. ValueAct Capital'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. ValueAct Capital will generally vote proxies as directed by the portfolio manager, with assistance from analysts. Investors cannot direct ValueAct Capital as to how to vote in a particular solicitation. ValueAct Capital 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 funds' best interests. The mechanics of proxy voting are handled by RiskMetrics Group.

Due to the nature of ValueAct Capital's business and structure, ValueAct Capital does not believe it is likely that material conflicts of interest will arise in voting proxies of portfolio companies. However, material conflicts of interest could arise in certain circumstances, such as, for example, where an investor in a private fund is associated with the company soliciting the proxy or actively supporting a proxy proposal, or where a partner or executive officer of ValueAct Capital has personal or other business relationships with participants in a proxy contest (such as a company director or a proponent of the proxy proposal). ValueAct Capital 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 Capital'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 the other partners of ValueAct Capital 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, with assistance from analysts, or to abstain from voting the proxy, shall be deemed to have been made in the best interests of ValueAct Capital's private funds. 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) if feasible, in the manner determined to be in the best economic interests of the private funds by a ValueAct Capital partner not impacted by the conflict of interest or by the Company's Management Committee, (ii) in the manner determined to be appropriate by the CCO in consultation with Outside Counsel, or (iii) in accordance with the recommendations of an independent third-party proxy voting service. The CCO shall make and maintain in accordance with this policy a written record memorializing her determination of the existence of a conflict of interest and the basis for the voting decision taken with respect to each proxy considered.

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

Class Action Lawsuits

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

Financial Information

ValueAct Capital 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

The following is ValueAct Capital's privacy policy notice pursuant to Regulation S-P:

Your privacy is very important to us. This Privacy Notice sets forth the policies of ValueAct Capital 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 the ValueAct Capital'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. 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 Capital to provide services to you. We maintain physical, electronic and procedural safeguards that comply with federal regulations to protect your non-public personal information.