

# **VALUEACT CAPITAL MANAGEMENT, L.P.**

## **PART 2A OF FORM ADV**

### **THE BROCHURE**



1 Letterman Drive, Building D, 4th Floor  
San Francisco, CA 94129  
(415) 362-3700  
[www.valueact.com](http://www.valueact.com)

**Updated: March 30, 2017**

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 ValueAct Capital 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](http://www.adviserinfo.sec.gov).

## Item 2 Material Changes

ValueAct Capital is required to identify and discuss any material changes made to its brochure since the last annual brochure update. Since the last brochure update, dated November 10, 2016, ValueAct Capital’s brochure has been updated to reflect the following:

ValueAct Capital’s personal trading policy has been updated to generally restrict trading in all public companies.

## Item 3 Table of Contents

Item 2 Material Changes .....	2
Item 3 Table of Contents.....	2
Item 4 Advisory Business .....	2
Item 5 Fees and Compensation .....	3
Item 6 Performance-Based Fees and Side-by-Side Management.....	6
Item 7 Types of Clients .....	7
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9 Disciplinary Information .....	16
Item 10 Other Financial Industry Activities and Affiliations .....	17
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ...	17
Item 12 Brokerage Practices .....	19
Item 13 Review of Accounts.....	26
Item 14 Client Referrals and Other Compensation.....	26
Item 15 Custody .....	27
Item 16 Investment Discretion.....	27
Item 17 Voting Client Securities.....	28
Item 18 Financial Information .....	29

## Item 4 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, 2017, the Company managed approximately \$17.5 billion of regulatory assets under management on a discretionary basis on behalf of nine clients, including two master funds, six feeder funds and one single security investment vehicle.

ValueAct Capital provides discretionary investment advice and management services to private investment funds (“private funds”), which may be organized as onshore or offshore 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 onshore 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 in a select number of companies generally with a market capitalization over \$3 billion (the “Legacy Fund”). ValueAct Capital also manages a family of co-invest funds which seeks to make long-term, strategic-block equity co-investments along with the Legacy Fund in a limited number of public companies (the “Co-Invest Fund”). Finally, ValueAct Capital manages a single security investment vehicle designed to make a long-term, strategic-block equity co-investment along with the Legacy Fund and Co-Invest Fund in one specific public company (“Fund A”).

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 exclusions available under the Investment Company Act of 1940, as amended (“IC Act”) and exemptions available under 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.

## **Item 5 Fees and Compensation**

ValueAct Capital and/or the general partner 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 or expenses to third-parties from the assets of the private funds.

### Management Fees

Except for the Co-Invest Fund and Fund A, which do not incur management fees, ValueAct Capital’s private funds, and consequently the underlying investors, incur an annual management fee ranging from 50 bps to 2.0% (depending on the particular tranche and size of limited partnership interests in which an underlying investor has invested) 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.

Personnel of ValueAct Capital may from time to time serve on the boards 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 personnel are required to give any directors’ fees to ValueAct Capital, which will offset the management fees paid by the Legacy Fund by the amount of the directors’ fees. In addition, ValueAct Capital is required to give to the Legacy Fund master fund any equity awards, stock options or other non-cash compensation received by the Company’s personnel in connection with serving on the boards of directors of portfolio companies. Finally, ValueAct Capital will offset the management fees paid by the Legacy Fund by the amount of any transaction or monitoring fees paid to ValueAct Capital or its affiliates in connection with a private fund’s investment activities. The Co-Invest Fund and Fund A do not incur management fees, therefore the offsetting of fees described above is not applicable to those entities.

#### Performance-Based Fees

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

#### Private Fund Expenses

The general partner or ValueAct Capital will be responsible for certain recurring overhead expenses of the private funds such as rent, supplies, secretarial expenses, charges for furniture and fixtures, telephone service, stationery, employee insurance, payroll taxes, compensation of administrative personnel, travel expenses related to public portfolio investments (including first-class or business-class travel, for which ValueAct Capital may seek reimbursement from the portfolio company if ValueAct Capital personnel sits on the board of directors of that company), and other reasonable expenses (“Overhead Expenses”).

The Legacy Fund, Co-Invest Fund, and Fund A may share certain expenses. With respect to any expenses, other than Overhead Expenses (“Partnership Expenses”) that are allocated to a specific investment:

- (i) such expenses shall be borne by the Legacy Fund and by the Co-Invest Fund (and by Fund A as applicable), pro rata to the market value of that specific investment held by each of the foregoing; provided, that the expenses of the Legacy Fund incurred in connection with the preparation, research and making of an initial investment in a specified issuer (investments made by the Legacy Fund before ValueAct Capital has determined to offer such investment to investors in the Co-Invest Fund) shall not be allocated to the Co-Invest Fund (or Fund A as applicable); and
- (ii) any Partnership Expense allocated to the Co-Invest Fund (or Fund A as applicable) shall be allocated to the investors pro rata to the amount of capital commitments to such investment.

With respect to any Partnership Expense not allocated to a specific investment:

- (i) to the extent any such expense is not related to a particular private fund but relates to all or a combination of the private funds, such Partnership Expense shall be borne by the Legacy Fund, the Co-Invest Fund, and Fund A, pro rata based on the net asset value of Fund A, the net asset value of the Co-Invest Fund and the net asset value of the

Legacy Fund, or such other method as deemed equitable, in good faith, by the general partner, taking into account the type of Partnership Expense;

- (ii) any Partnership Expense allocated to Fund A or the Co-Invest Fund shall be allocated to the investors pro rata based on overall capital commitments; and
- (iii) organizational expenses shall only be borne by the relevant private fund.

The feeder funds and Fund A bear their own expenses as well as a pro rata share of the relevant master fund's (as applicable) expenses including, but not limited to, taxes, organizational expenses, initial and ongoing offering expenses, transaction and trading-related expenses (*e.g.*, commissions and brokerage charges, other prime brokerage fees, clearing expenses, interest expenses, stock borrow fees, and related expenses)<sup>1</sup> and any other expenses related to the purchase, sale or transmittal of fund assets, investment-related travel expenses (including first-class or business-class travel) related to Private Portfolio Investments (as defined in Item 8 herein) only, governmentally imposed expenses, administrative expenses, legal expenses (including expenses relating to regulatory filings made in connection with the funds' business, indemnification expenses, expenses relating to regulatory or similar investigations, inquiries, "sweeps," and any resulting fines, any litigation or threatened litigation in connection with the fund(s) or any portfolio company), expenses in connection with activist campaigns, any expenses incurred through investments in partnerships or other entities (including registered investment companies) engaged in investment activities, compliance expenses, accounting expenses, research and market data expenses, audit and tax preparation expenses, corporate licensing expenses, custodial fees, regulatory filing fees, indemnification expenses, insurance premiums, other ordinary and extraordinary expenses associated with the operation of the feeder funds and the associated master fund, and any other expenses similar in type and nature to those expenses previously described. ValueAct Capital and/or the general partner of the private funds are authorized to incur expenses on behalf of the private funds; when this occurs, the appropriate private fund reimburses ValueAct Capital and/or the general partner in the amount of such expenses.

ValueAct Capital seeks to allocate expenses fairly, equitably, and consistent with the documents governing the Company's relationship with each private fund. When allocating expenses, ValueAct Capital must interpret the private funds' governing documentation and make determinations whether expenses are allocated and paid in full or in part by a private fund, by private funds, and/or by the Company, which creates a conflict of interest. The Company has implemented policies, procedures, and guidelines designed to mitigate such conflicts of interest.

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

The Co-Invest Fund generally does not allow for withdrawals until the liquidation (or distribution in kind) of the last investment in which an investor participated. Fund A generally does not allow

---

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

for withdrawals until the liquidation (or distribution in kind) of the single security investment in which an investor participated. Investors in the Legacy Fund generally may withdraw their capital at the time periods specified in each private fund's *CM*, subject to the specified notice periods and lockup periods, as applicable, depending on the tranche of limited partnership interests in which an underlying investor has invested. Where lockup periods apply, investors in certain tranches of the private funds generally have early withdrawal rights, subject to limitations as to the withdrawal amount and early withdrawal 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 time periods specified in each private fund's *CM*. 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, in the case of the Legacy Fund, incurs a pro-rated management fee for the period in which the withdrawn assets remained invested in the Legacy Fund. ValueAct Capital's general partner reserves the right to waive the applicable notice period and/or allow other than annual withdrawals for certain current and former ValueAct Capital employees and their family members. Additionally, the general partner is not subject to lockup periods with respect to its interests in the private funds.

Any investor that makes a withdrawal from a private fund will not be able to withdraw that portion of its capital account that is in Private Portfolio Investments until such Private Portfolio Investments are liquidated or determined by the general partner to no longer be Private Portfolio Investments. In addition, the general partner may, in its sole discretion, reserve and withhold from distribution a reasonable estimate of expenses due with respect to such withdrawing investor's capital account.

#### 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 Portfolio Investments. Finally, ValueAct Capital reserves the right to charge reduced or no management and performance-based fees to ValueAct Capital, its affiliates, employees and their immediate family members, former 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.

### **Item 6 Performance-Based Fees and Side-by-Side Management**

The Legacy Fund charges a "performance allocation" equal to 20% of the net profits, in many cases after a performance hurdle or preferred return, attributable to each investor, which is paid to ValueAct Capital, or the general partner of the private funds, either at the end of the year, at the

end of a year that a lockup period expires (as applicable based on the tranche invested in), upon expiration of a lockup period, 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, or in the case of the Co-Invest Fund and Fund A, the carried interest distribution, 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.

Investors in the Co-Invest Fund and Fund A are subject to carried interest provisions. Each investor will first receive a return of capital on all realized investments plus other allocated expenses borne by such investor, and an 8% preferred return on the above amounts. After this, distributions will be made according to the following ratio: 90% to the investors and 10% to the general partner.

Performance-based fees are charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act").

Performance-based fees may create an incentive for ValueAct Capital to make riskier or more speculative investments on behalf of the private funds than would be the case in the absence of such fees. In addition, except in the case of the Co-Invest Fund and Fund A, the performance-based fees received by the general partner of the Legacy Fund reflect both realized and unrealized gains and losses. Accordingly, members of the general partner of the Legacy Fund could earn performance-based fees on unrealized gains that the Legacy Fund might ultimately never realize.

Trading activities of the Legacy Fund, Co-Invest Fund, and Fund A will overlap and conflicts could arise in managing those activities. Please see Item 12 Trade Aggregation and Allocation for information relating to ValueAct Capital's management of those entities.

## **Item 7 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 an exclusion from having to register as an 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. Thus, 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 as 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, public pension plans, sovereign wealth funds, corporations, private funds of funds, and other types of entities).

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 ValueAct Capital 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 non-public 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. Please see the “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” section for additional information about ValueAct Capital’s insider trading policy and the “Voting Client Securities” section for additional information about ValueAct Capital’s proxy voting policies and procedures.

When accepting new investors, the private funds (with the exception of Fund A) 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.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

### Investment Strategy

The Legacy Fund concentrates on acquiring significant ownership stakes in a limited number of companies that it believes are fundamentally undervalued. The investment team seeks to identify companies that are out of favor, or may be undergoing significant transition. The investment team believes that such companies may be temporarily mispriced for a variety of reasons, including perceived unfavorable industry conditions, poor business performance, changes in management or ownership, reorganizations, or other external factors. These conditions can often result in fundamentally “good” businesses that are available at depressed valuations. In most of ValueAct Capital’s core investments, the goal is to work productively with management and/or the company’s board to implement a strategy or strategies that maximize returns for all shareholders.

The Co-Invest Fund’s investment objective is to seek superior returns by co-investing with the Legacy Fund in a limited number of public companies.

Fund A’s investment objective is to seek superior returns by co-investing with the Legacy Fund and the Co-Invest Fund in one specific public company.

ValueAct Capital’s investment strategy is described in greater detail in each private fund’s *CM*.

### Types of Investments

#### *Legacy Fund*

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. Although not a



significant part of the investment strategy, ValueAct Capital may also engage in short sales and invest in corporate debt securities and derivatives. Corporate debt securities include corporate bonds, debentures, notes, convertible securities, and other similar corporate debt instruments. In addition, ValueAct Capital may utilize financial instruments 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. Such instruments may include forward contracts, stock index futures, options, swaps, caps, and floors. Finally, the Legacy Fund 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 has the ability to invest, as described in the applicable *CM*, a specified percentage (depending on the relevant tranche of interests) of the net asset value of each investor's capital account balance, through the Legacy Fund 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 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 Legacy Fund investors who are admitted to a private fund on or prior to the 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.

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.

### *Co-Invest Fund*

The Co-Invest Fund generally may not invest in a non-core holding<sup>2</sup> (determined as of the date the applicable Co-Invest Fund issues a capital call notice for a specific investment), or Private Portfolio Investments, or securities of an issuer not held by the Legacy Fund. The Co-Invest Fund

---

<sup>2</sup> The determination of a core investment is a combination of factors and is based on facts and circumstances. The ultimate decision will be determined by the Chief Investment Officer in consultation with members of the investment team. The factors used to determine whether an investment is a core investment are:

- whether the portfolio company is one which the investment team expects to hold for at least 24 months at the time of determination;
- whether ValueAct Capital is willing to hold the investment long-term, given the due diligence on the portfolio company;
- whether ValueAct Capital believes it can work productively with management; and
- whether ValueAct Capital has filed a Schedule 13D for that company.

Ultimately, the determination that an investment is core is evidenced by disclosing it as a core investment in a ValueAct Capital quarterly letter, or when a Schedule 13D is filed for that investment.

may not invest more than 25% of the capital commitments of each investor in any single issuer, as of the business day immediately prior to the time a binding commitment is made in respect of an investment, unless otherwise approved by the Advisory Board. With the approval of the Advisory Board, the Co-Invest Fund can, but currently does not intend to, invest in Private Portfolio Investments and investors in the Co-Invest Fund have the option not to invest in a given Private Portfolio Investment.

#### *Fund A*

Fund A is a single security investment vehicle and therefore can only invest in a core holding of the Legacy Fund. No other types of investments can be made by this vehicle at this time.

#### Sources of Information

Although ValueAct Capital utilizes information, reports, and data from various external sources, including consulting arrangements that assist with conducting investment due diligence, consulting arrangements with independent analysts, and meetings with the management of current and prospective portfolio companies, its investment decision-making with respect to the private funds it manages is based primarily upon its internal research and analytical capabilities, including the research and analytical experience and expertise of its investment team.

#### Material Risks

All investing involves a risk of loss and the private funds and their underlying investors could lose money over short or long periods. An investment in the private funds may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and can bear the risk of an investment in the private funds. No guarantee or representation is made that the private funds will achieve their investment objective or that investors will receive a return of their capital.

The descriptions contained below are an overview of different risks related to the private funds, but are not intended to serve as an exhaustive list or comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the private funds. Investors should review the risks listed in the private funds' CMs prior to investing. 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 and Management** – The general partner is responsible for the overall management of each private fund. ValueAct Capital is responsible for selecting and monitoring investments of the private funds. The quality of the decisions of the general partner and ValueAct Capital, among other factors, will determine the private funds' success or failure. Except in the case of the Co-Invest Fund, which offered investment opt-in/opt-out rights, and Fund A which only offered an opt-in right for a single security investment, investors will not have an opportunity to select or evaluate any investment prior to investment, or to review the related securities positions at any time (unless otherwise provided by ValueAct Capital in its discretion). Past performance is not indicative of future returns.

**Dependence on Key Individuals** – The success of the private funds depends upon the ability of ValueAct Capital's investment team to continue to develop and implement investment strategies

that achieve the private funds' investment objectives. If ValueAct Capital were to lose the services of Mr. Ubben (or both Mr. Ubben and Mr. Morfit depending on the date of investment or tranche exchange, as outlined in each private fund's *CM*) or were to lose a significant number of other key investment team members, the consequence to the private funds could be material and adverse and could lead to the premature termination of the private funds.

**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; (v) corporate governance mechanisms such as composition of the board appointed by the management; and (vi) inability of the private funds to acquire sufficient securities of such portfolio companies at a sufficiently attractive price. 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 the 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 its employees often serve as directors of the private funds' portfolio companies. Applicable law may limit the ability of the private funds to trade 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.

**Regulatory Restrictions May Impair ValueAct Capital's Ability to Achieve its Investment Objectives** – The investment strategies pursued by ValueAct Capital may be affected by applicable U.S. state and federal laws and regulations which may inhibit ValueAct Capital's ability to freely acquire and dispose of certain securities. Should the private funds be affected by such rules and regulations, it may not be able to transact in ways that would realize value for the applicable private fund. In addition, any changes to government regulations could make some or all forms of activist strategies unlawful or impractical. Accordingly, such changes, if any, could have an adverse effect on the ability of ValueAct Capital to achieve its investment objective.

**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 the private funds will otherwise be unable to complete any exit strategy from portfolio companies. Some portfolio

securities may be thinly traded and relatively illiquid even if such securities are publicly traded, and generally no more than 10% of the private funds' portfolio may consist of 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 employees serve on the issuer's board of directors. In those cases, and where the private funds and/or ValueAct Capital substantially participates in or influences the conduct of affairs or management of portfolio companies, the private funds and/or ValueAct Capital may be deemed to be "affiliates" or "control" persons with respect to certain portfolio companies. The private funds and/or ValueAct Capital may then become subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations. 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. In addition, in respect of portfolio companies in which ValueAct Capital holds a long position, even if the price for a portfolio company's securities increases, no guarantee can be made that there will be sufficient liquidity in the markets to allow the Company to dispose of all or any of its securities therein or to realize any increase in the price of such securities. The converse applies equally in respect of portfolio companies in which ValueAct Capital holds a short position. Therefore, significant legal or practical limitations may inhibit the private funds' ability to liquidate certain of its investments promptly, which could adversely affect its 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.

**Hedging Transactions** – Although ValueAct Capital is not obligated to, and often will not, hedge its exposure, the private funds utilize financial instruments 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. Such instruments may include forward contracts, stock index futures, options, swaps, caps, and floors. 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.

Although ValueAct Capital will attempt to limit the private funds' derivative transactions to those with well-known and well-capitalized firms where it is permitted to trade over-the-counter, ValueAct Capital is not restricted from dealing with any particular counterparty or from concentrating any or all of its derivative transactions with one counterparty. Moreover, ValueAct Capital's internal credit function which evaluates the creditworthiness of the Company's counterparties could prove insufficient. 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 could 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 might not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent ValueAct Capital from achieving the intended hedge or expose ValueAct Capital 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.

**Concentration of Investments** – Each private fund's investment portfolio may be confined to the securities of relatively few issuers. This is particularly relevant for Fund A, which is only invested in a single security that investors must opt-in to, and the Co-Invest Fund, which will have fewer investments than the Legacy Fund and, due to the opt-in/opt-out rights of investors, the investors can be very highly concentrated and exposed to very few investments. The general partner may not permit any of the private funds to invest (indirectly, through the applicable master fund) up to a certain percentage of its net asset value (as specified in the applicable *CM* and 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 volatility and 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 concentration, 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 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.

**Third Party Involvement** – The Legacy Fund may co-invest with affiliated parties, such as the Co-Invest Fund, Fund A, and/or unaffiliated third parties through partnerships, joint ventures, or other entities. Such investments may involve risks not present in investments where the Co-Invest Fund, Fund A, or a third party is not involved, including the possibility that the Co-Invest Fund or Fund A or 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 Legacy Fund, or may be in a position to take action contrary to the investment objectives of the Legacy Fund. In addition, the private funds may in certain circumstances be liable for actions of its third party co-venturer or partner.

**Private Portfolio Investments** – Valuation and/or liquidation of the private funds' investments in certain Private Portfolio 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 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.

**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 (oil and gas, healthcare, and 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. The private funds are also subject to the risk of the failure of any exchanges on which its positions trade and of their clearinghouses.

**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** – Up to a limit of 15% of the net asset value of a private fund, the private fund may leverage its investment positions by borrowing funds from securities broker-dealers, banks, or others. Whenever a private fund uses financing extended by broker-dealers to leverage its portfolio, it may be subject to changes in the value that broker-dealers ascribe to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position, and/or such broker-dealers’ willingness to continue to provide any such credit to the private fund. Assets of a private fund may be deposited as margin 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 on short notice, so that the private fund can meet its financing obligations. The forced liquidation of all or a portion of a private fund’s portfolio at distressed prices could result in significant losses to the private fund. In particular, it could be subject to a “margin call,” pursuant to which it would either be required to deposit additional funds or securities with the broker-dealer or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the private fund’s assets, the private fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

**Foreign Securities** – The private funds trade 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 there may be less government regulation and supervision of non-U.S. companies and investments. 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. There may also be difficulty in enforcing legal rights outside of the United States. Transaction costs of investing in non-U.S. securities markets are generally higher than in the U.S.

Investments in securities denominated or whose prices are quoted in non-U.S. currencies also pose particular risks. Such risks include blockage, devaluation, non-exchangeability and fluctuations in the rate of exchange, and costs associated with currency conversion. Currency exchange rates may fluctuate significantly over short periods of time. Currency exchange rates generally are determined by the forces of supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates, and other complex factors. Currency exchange rates also can be affected unpredictably by intervention by the U.S. or non-U.S. governments or central banks, by the failure to so intervene, or by currency controls or political developments in the U.S. or elsewhere.

Additional risks include: (i) the imposition or modification of foreign exchange controls; (ii) the unpredictability of international trade patterns; (iii) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such non-U.S. investments; (iv) differences between U.S. and non-U.S. markets, including, without limitation, potential price volatility in, and relative illiquidity of, some non-U.S. markets; (v) different bankruptcy laws and customs; (vi) less developed corporate laws regarding, among other things, fiduciary duties and the protection of investors; (vii) price volatility; and (viii) economic, social and political risks, including, without limitation, restrictions on non-U.S. investment and repatriation of income and capital and the risks of economic, social, and political instability (including, without limitation, the risk of war, terrorism, social unrest, or conflicts). While ValueAct Capital will take these factors into consideration in making investment decisions for a private fund, no assurance can be given that ValueAct Capital will be able to successfully evaluate and minimize these risks.

**Cash Management** – The Legacy Fund may at any time hold a small percentage of its capital in cash or cash equivalents for a variety of reasons, including if ValueAct Capital formulates a view about available appropriate investment opportunities. The Legacy Fund's percentage of cash or cash equivalents held may be affected by trading (*e.g.*, buying and selling assets), potential exposure of assets (as previously described), limited partner withdrawals, limited partner subscriptions, and distributions to the limited partners. The percentage of cash or cash equivalents held may impact performance of the Legacy Fund, and prolonged periods of holding cash or cash equivalents could have a material adverse impact on the fund's performance.

## **Item 9 Disciplinary Information**

### Department of Justice Settlement

In April 2016, the U.S. Department of Justice (“DOJ”) alleged that ValueAct Capital Master Fund, L.P., ValueAct Co-Invest International, L.P. and the general partner, VA Partners I, LLC (collectively, “VAC”), violated the notice and waiting period requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the “HSR Act”) with respect to VAC’s investments in two publicly-traded companies, and that VAC was not eligible to use the relied-upon exemption to the notification requirements for those acquisitions made “solely for the purpose of investment” under 15 U.S.C. § 18A(C)(9). VAC denied any wrongdoing, and consented to a final judgment, entered by the court on November 1, 2016, without admission of fact or law. As part of the settlement, the general partner, on behalf of the funds, paid an \$11 million penalty and the final judgment specified inter alia when the funds must file a notification under the HSR Act during the ten years starting on November 1, 2016. In VAC’s judgment, the final judgment does not place VAC under any material limitations in its present or future investment activities.

### SEC Investigation

In March 2008, the U.S. Securities and Exchange Commission (“SEC”) commenced an investigation into irregular trading patterns of certain individuals connected with ValueAct Capital’s former CFO. Upon learning of that investigation, ValueAct Capital suspended the former CFO, who later resigned in June 2008, and alerted its investors. ValueAct Capital cooperated fully with the investigations by the SEC and, subsequently, the U.S. Attorney’s Office for the Northern District of California (“USAO”). In January 2009, the SEC issued a “No Action” letter to ValueAct Capital, indicating that ValueAct Capital was not implicated in any way with the alleged conduct of individual defendants. On October 30, 2009, the SEC filed a complaint against seven individuals, including the former CFO, alleging he shared inside information with his brother-in-law, who in turn tipped certain friends and family members. ValueAct Capital’s name did not appear in the SEC complaint. On March 7, 2013, the court entered final judgments that were consented to by four defendants, including the former CFO. As a result of the final judgment entered against him, the former CFO, without admitting or denying the allegations against him, was permanently enjoined from violating certain U.S. securities laws and paid a civil penalty of \$62,545.66. The former CFO’s brother-in-law, but not ValueAct Capital’s former CFO, was charged by the USAO on February 5, 2010 with conspiracy to commit securities fraud and securities fraud in connection with the alleged insider trading, and the charges describe the former CFO and others as co-conspirators. On April 15, 2010, the brother-in-law pleaded guilty to insider trading charges and asserted, in connection with that plea, that he received certain inside information from the former CFO. The brother-in-law was sentenced on February 28, 2013 to one year in prison and three years of probation.

### Federal Trade Commission Settlement

The U.S. Department of Justice on behalf of the Federal Trade Commission (“FTC”) 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.

## **Item 10 Other Financial Industry Activities and Affiliations**

VA Partners I, LLC, an affiliate of ValueAct Capital, serves as the general partner of the private funds.

## **Item 11 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) conflicts of interest. Effective April 1, 2017 ValueAct Capital employees are not permitted to transact in the securities of individual public companies in their personal brokerage accounts (except pre-cleared sales, as noted below), nor are they permitted to invest in third-party private investment funds that primarily invest in equity securities of individual public companies. The Chief Compliance Officer ("CCO") or her designee, among other things, monitors employee brokerage accounts in an attempt to prevent employees and the private funds from engaging in improper personal securities transactions and to otherwise detect and prevent potential conflicts of interest.

ValueAct Capital and/or its employees may give advice and take action for their own accounts that may differ from advice given and action taken on behalf of the private funds. ValueAct Capital's employees may hold legacy investment positions or interests in the same securities recommended to or owned by the private funds prior to the private funds initiating a position in such securities. As such, ValueAct Capital may trade for the private funds securities of an issuer in which ValueAct Capital's employees also have an investment position or interest.

Allowing employees to hold or sell the same securities as the private funds in the limited circumstances described further below could present certain potential conflicts of interest. For example, an employee could have an existing investment that opposes the position of the private funds (*i.e.*, he or she has an existing long position when a private fund has or takes a short position, or vice versa) and thus the employee could potentially experience a conflict between acting in his or her own best interest versus the private funds' best interests. An employee may also have an incentive to cause the private funds to invest in companies in which he or she already has an interest, especially if the employee believes that such an investment by the private funds may increase the value of his or her 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 the private funds, and their underlying investors. A basic tenet 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, and except as noted below, no employee designated as an "access person" may engage in a transaction in any security of a public company. Current access persons with existing positions in securities of public companies or any new access persons who hold positions in securities of public companies as of the date of their employment may sell such positions with pre-clearance or under the direction of the CCO or her designee.

The Code also requires access persons to pre-clear any transactions in securities acquired in any initial public offering or limited offering (*e.g.*, investments in private investment funds). All access persons must provide to ValueAct 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 gifts from, investors and certain other third parties as well as provisions intended to prevent violations of laws prohibiting "insider trading," as discussed below.

#### Statement on Insider Trading

ValueAct Capital and/or its employees may come into possession of material non-public 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 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 and/or its employees come into possession of material non-public 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, ValueAct Capital's private funds and their underlying investors. 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 non-public information by ValueAct Capital and its employees.

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

#### Participation by ValueAct 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 indirectly in the general partner 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 consultants and current and former employees and their family members are generally not subject to the management fees or performance fees incurred by investors in the private funds in the discretion of the general partner.

## **Item 12 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 also 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 is not required to maintain its relationship with any particular prime broker and may change or add additional prime brokerage relationships at any time.

### 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 at which ValueAct Capital is willing to acquire and eventually sell a position. The trader is given price parameters to buy or 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, timing, financing costs, 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, ability to trade under ISDA agreements, 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 on behalf of clients. Accordingly,

broker-dealers selected by ValueAct Capital may be paid commissions for effecting 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, ISDA, 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 broker-dealers it uses. When deemed appropriate due to overall best execution considerations, ValueAct Capital may execute trades through ECNs at a rate higher or 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, ISDA, and/or prime brokerage services provided by the broker, ValueAct Capital may take this factor into consideration.

From time to time, certain employees may have relatives that work for broker-dealers that have a trading or investment banking relationship with ValueAct Capital. While this could 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 ValueAct Capital'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 or brokerage elements and non-safe harbor eligible research or 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 cannot always be precisely calculated, ValueAct Capital will make a good faith effort to reasonably allocate the cost of mixed use items among soft and hard dollars. 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 typically does not involve a conflict of interest that would traditionally exist because the private funds otherwise would 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 falls 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 staff of other securities firms, and to gain access to persons having special expertise on certain companies, industries, areas of the economy, and market factors. Research and brokerage products and services acquired with soft dollars include research on market trends and 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 the 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; online 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 its interest in receiving the research or other products or services, rather than on its 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 would incur hard dollar costs and expenses associated with brokerage- and research-related products and services.

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 CCO, in consultation with the Trading and Best Execution Committee as necessary, to approve in advance all soft dollar arrangements and review such arrangements not less than annually. They will consider

- whether the product or service is eligible under the Section 28(e) safe harbor based on the nature of the product or service, the employees who use it, and how employees use it;
- 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 products and services 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 services received, viewed either in terms of a particular transaction or ValueAct Capital's overall duty to its client accounts. The research services provided by a broker may be used to service all client accounts and not exclusively in connection with the client account that generated a particular soft dollar credit.

#### 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 or broker-dealers to execute client transactions. However, from time to time ValueAct Capital may participate in capital introduction programs arranged by prime brokers or accept investors that were recommended by a prime broker.

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 ValueAct Capital'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.

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. Trading activities of the Legacy Fund, Co-Invest Fund, and Fund A will overlap. While the Legacy Fund, Co-Invest Fund, and Fund A may invest in the same issuer(s), the purchase and sale of such investment(s) may be at different times and upon different terms, based on each private fund's overall investment objectives and strategy, legal or regulatory concerns, and/or other relevant considerations. Where the general partner determines that a conflict of interest exists between any of the ValueAct Capital private funds or accounts, the general partner may bring such conflict to the attention of the Advisory Board of each affected private fund (Fund A conflicts are addressed by the Legacy Fund Advisory Board as necessary).

When allocating an investment opportunity between the Co-Invest Fund and the Legacy Fund, ValueAct Capital shall first allocate the investment opportunity to the Legacy Fund until the Legacy Fund has received an appropriate allocation of such investment opportunity. Once the Legacy Fund has received an appropriate allocation of such investment opportunity, if there remains any additional capacity in such investment opportunity, ValueAct Capital shall provide the Co-Invest Fund with a first-priority right to such additional capacity in such investment opportunity.

If additional capacity in any investment opportunity exists and such additional capacity is provided to the Co-Invest Fund, but the Co-Invest Fund does not take up such additional capacity, or takes up only a partial amount of such additional capacity, ValueAct Capital may offer such additional capacity in such investment opportunity (or portion thereof) to any third party, in its sole and absolute discretion. In the past, ValueAct Capital offered additional capacity in an investment opportunity in the securities of a single issuer to Fund A after both the Legacy Fund and the Co-Invest Fund had received an appropriate allocation.

To the extent that ValueAct Capital purchases or sells securities of the same issuer at the same time for the private funds, including for the Co-Invest Fund and Fund A, 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 between the Co-Invest Fund and Legacy Fund, and Fund A as applicable, for transactions 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. With respect to buy transactions, generally the Legacy

Fund would be filled first and any remaining shares would be allocated to the Co-Invest Fund and Fund A as applicable.

Other exceptions to strict pro rata allocation of partially filled orders may include, without limitation, the avoidance of clients 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.

Generally, sales of securities held by more than one of the private funds are made on a pro rata basis across the relevant private funds. Sales must be pro rata in the case of a change in investment conviction or to meet redemptions related to a key person event. In a pro rata sale, the Co-Invest Fund's (and Fund A's as applicable) position in securities of the relevant issuer shall be reduced at the same time as any sale by the Legacy Fund by an amount equivalent on a pro rata basis to the size of the sale by the Legacy Fund and on the same terms in all material respects, unless otherwise approved by the Advisory Boards of the private funds.

The general partner may exercise discretion in sales of securities held by more than one of the private funds in the following circumstances: (i) for portfolio construction purposes, including but not limited to, sales by the Legacy Fund to meet redemptions (but not redemptions relating to a key person event) or for portfolio sizing purposes (rather than a change in investment conviction), (ii) sales subject to the fiduciary obligations of the general partner with respect to conflicts of interests under applicable securities laws, and (iii) sales by the Co-Invest Fund, or Fund A as applicable, (a) at such times that the Legacy Fund is not selling shares of the relevant issuer or (b) in excess of an amount that would otherwise be pro rata.

#### "New Issues"

ValueAct Capital allocates new issues of equity securities registered under the Securities Act ("new issues") in accordance with FINRA Rules 5130 and 5131. This may in certain circumstances limit or restrict particular clients or investors from participating in any profits and losses from new issues.

#### Cross Trades

When consistent with its duty to seek to obtain best execution, ValueAct Capital may use cross trades when the Legacy Fund and the Co-Invest Fund, and Fund A as applicable, 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 by instructing the broker-dealer to cross the trade. ValueAct Capital may utilize cross trades between the Legacy Fund and the Co-Invest Fund, and Fund A as applicable, when it specifically deems the practice to be advantageous for its respective clients. In no instance will ValueAct Capital 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.



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 will 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 will review 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, its affiliates, its partners, and its 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 or two of the three private funds involved in a cross trade, or if internal owners have a significantly greater interest in one or two of the three private funds involved in a cross trade, ValueAct Capital may be predisposed to favoring one side of the trade in order to maximize the benefit to internal owners. In addition, ValueAct Capital 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 uses a Trading and Best Execution Committee to oversee these trading practices. 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.

#### 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, it generally 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 willful 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 Legal and Compliance Department upon the discovery of a possible trade error. If the trade error is material in nature or cannot be easily resolved by the Legal and Compliance Department and the trader, one or more members of ValueAct Capital’s Compliance Committee

shall be notified. 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.

#### 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's private funds incur the costs associated with backup trading solutions, which ValueAct Capital believes are reasonable in light of the value of the backup trading services.

### **Item 13 Review of Accounts**

Each client account is reviewed by a committee comprised of certain partners and employees of ValueAct Capital 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, and 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 an onshore private fund also receives a Schedule K-1 for tax purposes; each investor in an offshore private fund 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.

Certain investors may receive additional information and reporting from ValueAct Capital and/or the general partner of the private funds, upon verbal request, through written side letter agreements, or consulting agreements, and such information may affect an investor's decision to request a withdrawal of its interests or make additional subscriptions. ValueAct Capital's CCO, CFO, COO, and/or Head of Investor Relations and Marketing, as relevant, internally reviews the information provided to investors in order to detect and prevent potential concerns with respect to information flow, such as a combination of enhanced transparency and liquidity that could benefit particular investors to the detriment of other investors.

### **Item 14 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 fees to obtain 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, when the prime broker refers investors to ValueAct Capital, ValueAct Capital may face a conflict of interest between directing trades to the prime broker's associated trading desk and directing trades among various other broker-dealer options.

#### Client Service/Marketing Agreements

ValueAct Capital has an agreement with an affiliate to provide marketing and investor services to investors located in Australia and the Middle East. The affiliate will maintain communications with investors that it identifies as suitable leads for ValueAct Capital in an effort to develop such leads for ValueAct Capital, and will assist ValueAct Capital in responding to requests for proposals and in assembling marketing materials once such prospective investors 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.

### **Item 15 Custody**

As investment manager and/or general partner 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 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 (or the prime broker, as relevant). 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 onshore and offshore private funds will receive audited financial statements annually, prepared in accordance with generally accepted accounting principles, within 120 days after the end of the fiscal year of each such private fund.

### **Item 16 Investment Discretion**

ValueAct Capital is retained with respect to its private funds 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 security selection;
- the total quantity or amount of securities;
- the broker-dealer through which securities are transacted;
- the commission rates at which securities transactions are effected; and
- the transaction price of securities, which may include dealer spreads, mark-ups or mark-downs, and transaction costs.

ValueAct Capital has investment discretion over the private funds' accounts, including the amount and price of securities traded, the timing of trades, the type of transaction, 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, among other things, requested restrictions with respect to permitted investment sectors, and allocations of Private Portfolio Investments.

With respect to the Co-Invest Fund, investors solely have opt-in/opt-out rights and therefore must give their consent in order to commit to a particular investment opportunity that has been presented by ValueAct Capital. Finally, Fund A only offered investors an opt-in right for a single security investment.

## **Item 17 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, or his designee, with assistance from the investment team, as necessary. Investors cannot direct ValueAct Capital as to how to vote in a particular ballot. 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 ValueAct Capital otherwise does not believe voting serves its private funds' best interests. The mechanics of proxy voting are handled by a third-party service provider.

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 or opposing 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 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, or his designee, with assistance from the investment team, as necessary, 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 ValueAct Capital'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.

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 ValueAct Capital voted proxies for the private funds by requesting such information. Please contact ValueAct Capital at 415-362-3700.

#### Class Action and Other Lawsuits

From time to time, ValueAct Capital is asked to participate, on behalf of the private funds, in lawsuits involving a portfolio company, class action or otherwise. ValueAct Capital generally does not participate in litigation involving a portfolio company, even if the litigation has the potential to recover damages that would enhance the return for the private fund. ValueAct Capital refrains from participating in such litigation because it believes that doing so is not in the best interest of the private funds and is inconsistent with, and indeed may undermine, its investment strategy to work constructively with portfolio company management and/or the board (including in some instances participating as a board member) to implement strategies that maximize shareholder value. Moreover, participating in these lawsuits may be more expensive than any potential gain that may be derived therefrom.

### **Item 18 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.