

# CVC Capital Partners Advisory (U.S.) Inc.

## Part 2A of Form ADV

### Brochure

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March 31, 2017

This brochure provides information about the qualifications and business practices of CVC Capital Partners Advisory (U.S.) Inc. (“CVC U.S.”). If you have any questions about the contents of this brochure, please contact Mr. Raju Hussain at 0044 207 420 4200. 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. CVC U.S. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about CVC U.S. is also available on the SEC’s website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2. Material Changes**

This brochure was updated on March 31, 2017, providing information that is different from or supplemental to information CVC Capital Partners Advisory (U.S.) Inc. (“CVC U.S.”) provided in our previous brochure filed March 31, 2016. Changes were made to the sections of the Form ADV Part 2A describing fees and expenses and the use of Industrial Advisers.

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## **Item 4. Advisory Business**

CVC U.S., a Delaware corporation, is wholly-owned by CVC Capital Partners (Luxembourg) Sàrl (“CVC Capital Luxembourg”), which is principally held, through various intermediate subsidiaries, by CVC Capital Partners Advisory Group Holding Foundation, a foundation incorporated under the laws of Jersey, Channel Islands (“CVC Advisory Holding Foundation” and together with its subsidiaries the “CVC Advisory Group”). The current beneficiaries of CVC Advisory Holding Foundation are the employees of the CVC Advisory Group from time to time, which will be a changing class of persons. Such beneficiaries have no direct rights to, or an interest in, the assets and income of the CVC Advisory Holding Foundation unless and until CVC Advisory Holding Foundation determines to provide a benefit.

CVC U.S. is part of CVC. As used in this brochure, the term CVC includes CVC Advisory Holding Foundation, CVC Capital Partners SICAV-FIS S.A., CVC Credit Partners Group Holding Foundation, and their respective subsidiaries and affiliates from time to time, but does not include portfolio companies of the investment funds advised by them. CVC’s private equity business is primarily engaged in advising and managing private equity funds that generally acquire controlling or significant minority interests in European, North American and Asian businesses. CVC’s global private equity platform includes investment professionals across 23 countries in Europe, the Americas and the Asia-Pacific region. CVC and its predecessors have operated as an independent investment advisory business since 1993.

CVC Capital Partners Advisory Company Limited (“CPAC”) and CVC Capital Partners Jersey Limited (“CVC Capital Jersey”)<sup>1</sup> are limited companies incorporated in Jersey, Channel Islands. CPAC acts as investment adviser and CVC Capital Jersey acts as investment manager (each, in such capacities, a “Primary Adviser”) to certain CVC private equity funds (each, a “CVC Capital Fund” or “CVC Fund” or “Fund”). Local CVC-affiliated sub-advisers organized in Europe, Asia and the Americas (including CVC U.S.) make investment recommendations to the Primary Advisers’ investment committees (the “Investment Committees”) indirectly through CVC-affiliated adviser entities. Specifically, CVC U.S. makes investment recommendations through CVC Capital Partners Advisory Company (Luxembourg) Sàrl<sup>1</sup> (“CVC Capital Advisory Luxembourg”) and then through CVC Capital Partners Private Equity Advisors Limited<sup>1</sup> (CVC Capital PE Advisors”) and then either through CPAC (with respect to the Mature Funds (defined later in this Item) or through CVC Capital Jersey (with respect to funds in an active investment period).

In particular, under a written investment advisory agreement (the “Sub-Advisory Agreement”), CVC U.S. indirectly makes investment recommendations for certain CVC Capital Funds with respect to investments in the United States and the rest of North America. CVC U.S. has no authority to make investment decisions for the CVC Capital Funds. That investment authority resides with the Primary Adviser or general partner (in respect of the Mature Funds as defined below) to the relevant CVC Capital Fund and is exercised from a place of business outside of the United States. Under the Sub-Advisory Agreement, CVC U.S. further engages in ongoing monitoring and supervision of the North American investments made by the relevant CVC Capital Funds. In addition, certain CVC U.S. employees are members of the Investment Committees for certain CVC Capital Funds. In no case do CVC U.S. personnel constitute a majority of any Investment Committee.

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<sup>1</sup> CPAC, CVC Capital Partners Advisory Luxembourg, CVC Capital PE Advisors and CVC Capital Jersey, as relying advisers to CPAC, have filed with the SEC as exempt reporting advisers.

CVC U.S. provides sub-advisory services to the following CVC Capital Funds:

- CVC Growth Partners (“Growth Fund”)
- CVC Capital Partners Fund VI (“Fund VI”)
- CVC European Equity Partners V (“Fund V”), and
- CVC European Equity Partners Tandem Fund (“Tandem Fund”)<sup>2</sup>.

Fund V, and Tandem Fund, collectively, the “Mature Funds,” are no longer in an active investment period. As a result, the sub-advisory services CVC U.S. provides to the Mature Funds are limited to ongoing monitoring, exit recommendations, and follow-on investment recommendations with respect to the small number of U.S. investments that remain in each Mature Fund’s portfolio. “Active Funds” means CVC Capital Partners VI and CVC Growth Partners LP.

As of December 31, 2016, CVC U.S. is deemed to have non-discretionary regulatory assets under management of approximately \$5,337,353,726. CVC U.S. does not have investment decision-making authority for any client.

## **Item 5. Fees and Compensation**

Under the Sub-Advisory Agreement, CVC Capital Advisory Luxembourg pays to CVC U.S. a fee equal to (i) its pre-tax cost base plus (ii) a margin of 5%. “Pre-tax cost base” means costs incurred by CVC U.S. in the provision of its advisory services, net of any third party income including, but not limited to, director fees, monitoring fees, break fees, exit fees or other similar fees which will reduce the fee paid to CVC U.S. (as discussed in more detail below), and before deduction of certain taxes. In addition, CVC Capital Advisory Luxembourg pays CVC U.S. an annual performance fee determined by reference to the performance of CVC U.S. regarding advisory services it provides relative to the performance of the other local sub-advisers in the CVC Advisory Group.

CVC U.S. fees are not paid directly by the CVC Capital Funds but, rather, are paid to CVC U.S. by CVC Capital Advisory Luxembourg. CVC Capital Advisory Luxembourg benefits from the management fee paid by the CVC Capital Funds. Expenses for which CVC U.S. is reimbursed by CVC Capital Advisory Luxembourg may include CVC U.S.’ operating costs and expenses related the acquisition, monitoring, or disposition of CVC Capital Fund investments. The relevant CVC Capital Fund will ultimately reimburse CVC Capital Advisory Luxembourg for the portion of costs and expenses reimbursed by CVC Capital Advisory Luxembourg to CVC U.S. that would be considered partnership expenses, as provided in the respective CVC Capital Funds’ governing documents and as described in detail below.

### ***Types of Expenses charged to CVC Capital Funds***

Three general categories of expenses are allocated to and among CVC Capital Funds. These categories are: (1) organisation / partnership expenses, (2) investment sourcing and diligence expenses and (3) ongoing expenses of portfolio companies and Investment Holding Vehicles (“IHV”). The offering and governing documents of each CVC Capital Fund contain greater detail on the type of expenses that can be

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<sup>2</sup> Each of the CVC Capital Funds comprises multiple parallel fund and co-investment vehicles formed for regulatory, tax or other reasons. When used in this brochure, the terms CVC Capital Funds, Growth Fund, Fund VI, Fund V and Tandem Fund include those parallel vehicles. Additionally, reference to “Partnership” in this brochure means each limited partnership forming part of a CVC Capital Fund.

charged to such CVC Capital Fund, but a summary of each category is provided below.

### ***Organizational / Partnership Expenses***

Each Partnership, except any parallel partnership as may be formed in relation to any CVC Fund for the purposes of the CVC house commitment and/or any CVC Associate Scheme, bears its proportion of all third party (i.e. external to CVC) fees, costs and expenses (together with any applicable tax) incurred directly or indirectly in connection with the establishment of the relevant CVC Fund, up to the specific capped amount stipulated in the relevant Fund's governing documents ("the Organizational Expenses"). Each investor will indirectly bear its pro-rata share (based on its commitments) of each relevant Fund's Organizational Expenses. Any amounts in excess of the capped Organizational Expenses will be for the account of the applicable general partner and, to the extent such amounts have been paid by the Fund, will be offset against the management fee. Placement agent fees or expenses (if any) are borne by CVC and are not borne by any CVC Capital Fund.

Examples of Organizational Expenses are: legal, accounting and filing expenses incurred in connection with the organization and establishment of any CVC Fund and the related general partner – Including but not limited to the marketing and offering of interests in such Fund.

### ***Partnership Expenses***

Each respective CVC Capital Fund bears its proportion of all third party (i.e. external to CVC) fees, costs, expenses and liabilities incurred directly or indirectly relating to the ongoing administration, operation of and business of such Fund as permitted by each Fund's governing documents, including those relating to:

- Its operation, management and administration;
- Its investment-related activities (including sourcing, negotiating, acquiring, holding and disposing of actual and potential investments);
- Travel and accommodation costs relating to carrying out the due diligence of an investment for a Fund in an active investment period;
- Expenses and fees of lawyers, accountants and other professional advisors and service providers, including administrators, auditors, consultants, custodians, depositaries, finders, brokers, tax advisers and valuers;
- The general partner's compliance with its disclosure, reporting and similar obligations under the relevant LPA agreement;
- The Partnership's proportion of all abort costs and fees, costs, expenses, and liabilities of the Fund in respect of administration, reporting, custody, management, operation, termination, liquidation and winding up;
- Tax, legal and regulatory compliance costs in respect of the Fund and its investments;
- Fees, costs and expenses related to valuations;
- Fund borrowings (including interest on and fees and expenses arising out of all fund borrowings)

and related fees, costs and expenses related to such borrowings, including expenses and fees of lawyers, accountants and other professional advisors);

- Bank fees for the operation of accounts and taxes, and ongoing tax and regulatory compliance costs (including the cost of making filings with regulators on behalf of a Fund);
- Printing and distributing quarterly reports and the audited accounts to investors;
- Fees, costs and expenses incurred in relation to maintaining professional indemnity insurance and directors' and officers' insurance, as well as in relation to any litigation or other proceedings, investigations or audits involving or relating to the Fund and the amount of any judgment or settlement entered into in connection therewith;
- Taxes and any other governmental fees or charges levied against the Fund;
- Costs of Advisory Board meetings (including the reasonable out-of-pocket expenses incurred by its members in connection with its proceedings) and investor meetings for the relevant CVC Capital Fund costs and expenses of meals, events, entertainment and travel and accommodation costs and the cost of attendance by CVC employees); and
- Fees, costs and expenses incurred in connection with any amendments, side letters (including "most favoured nations" provisions) and other constituent or related documents of the Fund and the General Partner (including costs and expenses relating to investor and Advisory Board consent, waiver or compliance and compliance monitoring-related materials).

### ***Investment Sourcing and Diligence Expenses***

Prior to making an investment, expenses are typically incurred to source and conduct due diligence related to the investment opportunity and include the fees, costs and expenses of identifying, investigating (including conducting diligence), evaluating, structuring, financing, and negotiating potential investments in relation to such opportunity.

Investment sourcing and diligence expenses may include:

- Legal, finance, accounting, consulting, IT, HR, insurance, executive and industry advisers, M&A advisers, and other professional advisory services;
- Debt financing and investment banking fees;
- Costs and expenses of attending conferences or similar meetings to source and evaluate investment opportunities related to a specific situation where the deal team has Investment Committee approval to incur costs;
- Costs and expenses of research related to a specific situation where the deal team has Investment Committee approval to incur costs; and
- Travel and accommodation costs relating to carrying out the due diligence of an investment for all consummated and aborted investments for CVC Capital Funds in an active investment period.

Transactional expenses (i.e. due diligence) related to a potential investment are generally either capitalised as part of the acquisition cost of the relevant investment for consummated investments or treated as sourcing and diligence expenses for investments that are not consummated (i.e. aborted).

### ***Ongoing Expenses of Portfolio Companies and Investment Holding Vehicles***

Ongoing expenses that are specific to a portfolio company may be borne by the relevant portfolio company directly. When the portfolio company bears an expense directly, each direct and indirect equity owner of such company will indirectly bear a portion of such expenses, including the Funds.

Examples of ongoing monitoring expenses include but are not limited to:

- Costs (including administrative and filing fees) of maintaining the holding structure for portfolio investments;
- Portfolio and risk management expenses (including hedging transactions and related costs);
- Bank financing costs; and
- Expenses of any actual or potential litigation or other dispute, investigation or inquiry related to any portfolio company or any actual or potential portfolio investment (including expenses incurred in connection with the investigation, prosecution, defence, judgment or settlement of litigation and the appointment of any agents for service of process on behalf of such portfolio company or CVC) and other extraordinary expenses related to any portfolio investment (including fees; insurance coverage for litigation expenses; and costs and expenses classified as extraordinary expenses under generally accepted accounting principles in the United States).

### ***Portfolio Company Fees and Offsets***

#### **Portfolio Company Fees**

Portfolio company fees received by CVC may include any arrangement fee, success fee, underwriting or syndication fee, closing fee, commitment fee, monitoring fee, director's fee, abort fee, consulting fee, banking fee, guarantee fee or other similar fee in respect of the CVC Capital Fund's participation (or proposed participation as determined by the applicable general partner) in an investment but excludes any arm's length fee paid in consideration for Administration Services (as defined further below).

CVC and/or CVC personnel may provide certain services to a portfolio company or IHV of an administrative nature, including the provision and arrangement of office space, local personnel (including salary and benefits), and other general administrative services ("Administration Services") in return for which, certain CVC Capital Funds, CVC and/or CVC personnel may receive an arm's length fee.

#### **Portfolio Company Fee Offsets**

##### **Active Funds**

100 per cent of the partnership proportion of any portfolio company fee received by any CVC entity or CVC personnel is offset (after reduction of any amount equal to any deductible value added, or goods and services tax) based on cash received against future management fees.



### Mature Funds

The Partnership proportion of any portfolio company fee is subject to an offset as defined in the relevant limited partnership agreement, some of which are subject to an 80:20 split. Typically, all director fees are 100 per cent offset against the management fee.

Fee income is generally allocated to the Funds based on their proportional investment in the portfolio company. The portion of any portfolio company fee income not allocated for the benefit of the Funds (that is, allocated to non-fee paying funds or investors) may be retained by CVC as stipulated in the relevant Funds limited partnership agreement.

Any non-cash portfolio company fee received will typically be converted into its cash value at the time of receipt.

If CVC U.S. or any of its personnel receives any third-party income including, but not limited to, directors' fees, monitoring fees, management fees, break fees, exit fees or other similar fees (collectively referred to as "Fee Income"), CVC Capital Advisory Luxembourg will reduce the fee paid to CVC U.S. as provided in the underlying fund documents, and a corresponding reduction with respect to such Fee Income will be made to the management fees payable by the CVC Capital Funds.

Any fee received by CVC which relates to any Administration Services will not be subject to management fee offset. The aggregate amounts of such fees received by CVC are disclosed annually to the CVC Capital Funds respective Advisory Boards.

### Excess Portfolio Company Fees

The general partner of the applicable CVC Fund will initiate a process to repay any excess portfolio company fee received by a CVC Fund which has ceased to charge a management fee back to these Funds limited partners, subject to individual limited partners elections not to receive excess offset as made and agreed to in their relevant Fund side letters. Any excess offset not distributed to limited partners will be paid over to the CVC Capital Partners Foundation, who will allocate the excess offset to charities which have a measurable impact on the lives of disadvantaged children and young people in the communities where CVC operates.

### ***Attending Portfolio Company Meetings***

#### Active Funds

Reasonable travel and out of pocket expenses incurred by CVC personnel in connection with them acting as a director for a portfolio company may be recharged to the relevant portfolio company in accordance with the relevant transaction document. Such fees are not offset against the management fees for the relevant CVC Capital Fund and are typically recharged directly by CVC local offices to the portfolio companies. In addition, reasonable travel and out of pocket expenses incurred by CVC personnel who are not directors of a portfolio company in respect of ongoing monitoring of the portfolio company or IHV may be charged to the applicable CVC Capital Fund as a Partnership Expense.

In circumstances where CVC is invested alongside another sponsor or third party investor in a club deal, then, considering CVC's overriding fiduciary duty to act in the best interests of investors, CVC may charge non director travel and out of pockets expenses of CVC personnel directly to the portfolio company instead of re-charging the cost as a Partnership expense to the applicable CVC Capital Fund, to ensure that CVC Capital Fund investors only pick up their proportionate costs instead of 100 per cent of the cost related to the ongoing monitoring of a portfolio company.

### Mature Funds

Out-of-pocket travel expenses incurred by CVC personnel for ongoing monitoring of the portfolio companies or IHV may be charged to the portfolio company or IHV directly. Such fees are not offset against the management fees for the relevant CVC Capital Fund and are typically recharged directly by CVC local offices to the portfolio companies or IHV's.

### Accelerated Monitoring Fees

In the event that an accelerated monitoring fee, is paid to CVC upon the occurrence of an initial public offering or other exit for a particular investment (i.e. if a CVC Capital Fund invests alongside another sponsor that takes such a fee), then such fee, unless waived by CVC, will be 100 per cent offset to the management fee payable by the relevant Funds (if a management fee is payable) or, as stipulated in the relevant Fund limited partnership agreement.

### ***Aborted Deals and Allocation of Investment-Related Expenses***

Once a determination is made by the relevant Investment Committee that a deal will no longer be pursued or the deal is no longer available to the Fund (e.g. the bid was not successful), it is classified as a dead or "aborted" deal. Examples of such "Abort Costs" include fees and expenses of any legal, financial, accounting, consulting or other advisers or lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated; any travel and accommodation expenses by CVC personnel for the Active Funds; any travel and accommodation expenses for third party providers and any deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, unconsummated transactions.

### Allocation of Investment-Related Expenses

1. Expenses attributable to an investment opportunity that is presented to a Fund, are for the account of that Fund, provided that the Investment Committee and/or the Fund's general partner (for Mature Funds) has authorised the expenditure. In the event the Investment Committee and/or general partner have not approved a particular expense, the cost is borne by CVC and not recharged to the relevant CVC Fund.
2. If an opportunity is rejected by one Fund and an investment in that opportunity is subsequently made by another Fund; the Fund that makes the investment bears all costs related to the investment, including those incurred before the first Fund rejected it. These costs will ultimately become a part of the acquisition cost of the completed investment.
3. If a Fund initially rejects an opportunity but the investment is ultimately allocated to that Fund e.g. because the forecast internal rate of return changes significantly prior to the Final Investment Recommendation ("FIR") approval so that the opportunity fits with the Fund's investment strategy, expenses related to the investment will be for the account of that Fund and ultimately become a part of the acquisition cost of the completed investment.
4. Expenses attributable to an investment that is allocated to two or more Funds will be allocated to each Fund pro rata in line with each Fund's participation in the investment.
5. Pre-Preliminary Investment Recommendation ("PIR") expenses incurred on deals aborted before the deal reaches the PIR stage are to be borne by the CVC Fund of the investment team requesting those expenses.

Travel, entertainment and related expenses described herein may include, without limitation, first class and/or business class airfare (and/or private charter, where appropriate), first class lodging, ground transportation, travel and premium meals (including, as applicable, closing dinners and mementos, car services and meals (outside normal business hours), and social and entertainment events with portfolio entity management, customers, clients, borrowers, brokers and service providers).

### ***Co-underwriting and co-investment opportunities***

Co-underwriting and co-investment opportunities, when available, are made outside of and are in addition to CVC Fund investors' commitments to the relevant Fund. All co-underwriting and co-investment opportunities are made available by CVC on a discretionary, investment-by-investment, basis in accordance with CVC Investment Committee's decision regarding the amount that the Fund should underwrite and/or hold in that investment.

Each of these processes is further explained in CVC's Co-Investment Policy and it should be noted that, at all times, CVC retains full discretion regarding the availability and allocation of these investment opportunities amongst investors.

#### **Pre-signing co-underwriting**

CVC will typically require co-underwriting investors to pay their fair share of any Abort Costs, provided that CVC retains discretion to proceed with a co-underwriting investor arrangement in which Abort Costs would not be shared where CVC has determined it is in the best interest of the Fund to proceed on that basis.

#### **Post signing, co-investment**

If completion of a co-investment syndication occurs post-closing of the transaction, investors will be required to pay on completion of the co-investment syndication, a holding charge fee equivalent to (i) if funded through a capital call facility, an amount equal to the interest paid on the facility; or (ii) if funded through a capital call, an amount equal to the preferred return, in each case for the period commencing on the date on which the transaction closed and ending on the date on which the co-investment syndication completes. The holding charge amount is collected and paid to the relevant Fund to compensate Fund investors for underwriting the transaction from the date of investment to the date of the co-investment. However, CVC can elect not to charge the holding charge provided that all investors are treated in the same equitable manner.

CVC may, but is not required to, charge carried interest, management fees and/or other fees to co-investing Investors.

### ***Industrial Advisers***

CVC may retain industry experts, senior managers and other professional advisers ("Industrial Advisers") in:

- assessing and sourcing deals in a specific industry sector;
- performing due diligence on specific "deals";
- assisting in the general management of a selected portfolio company;
- serving on boards of directors/advisers; and/or
- assisting with the recruitment of talent to the portfolio companies.

The terms of engagement, including the financial package, for Industrial Advisers are generally agreed between the Industrial Adviser and CVC at the time of engagement. Each consulting agreement is negotiated individually, depends upon anticipated advisory services, and may differ between the Industrial Advisers. These consulting agreements may be updated from time to time, taking into account considerations such as, but not limited to, performance or current market practices for similar consulting services.

CVC bears the cost of fees incurred for services provided to CVC by Industrial Advisers under the consulting agreements and in certain circumstances provide administrative support to the Industrial Adviser in connection with the individual's work for CVC (i.e., office space, back office support and services). In certain limited circumstances, CVC may make a charitable donation to a not-for-profit organization chosen by the Industrial Adviser instead of paying his/her retainer in cash.

The expertise of these individuals may also be made available to portfolio companies, in which case an appropriate amount may be charged to the relevant portfolio company under a separate agreement between the individual and that portfolio company. Such individuals may also serve on portfolio company board of directors or as executive officers and they may charge the portfolio company directly for such services.

Any remuneration, whether in the form of a consulting fee, director's fee, equity grant or other compensation received by an Industrial Adviser for such service will be retained by that person and is not subject to reimbursement to any CVC Capital Fund by way of a management fee offset or otherwise. In addition, Industrial Advisers may receive a finder's fee (which may be a percentage of the total enterprise value of the transaction) for sourcing an investment opportunity or consultancy fee under a separately negotiated agreement for sourcing and performing due diligence on a specific target company and such fee may be borne by the relevant CVC Capital Fund and not by CVC.

As determined by the relevant Investment Committee, Industrial Advisers may in some cases be offered the opportunity to co-invest with CVC Capital Funds in connection with investments with which they are involved, or they may receive an equity participation in such investment which generally will reduce the amount invested by the CVC Fund. Industrial Advisers do not pay management fees or carried in connection with these co-investments.

There may be circumstances in which former CVC personnel may be invited to act, or to continue to act, as a director or officer (or similar) of, or to provide other services to, a portfolio company following the cessation of their employment with CVC or engagement with CVC. Such former CVC personnel is permitted to retain all directors' fees, monitoring fees and other compensation received by them in respect of acting as a director or officer (or similar) of, or providing other services to, a portfolio company and any such amounts received after the date upon which such CVC personnel ceased to be an officer, director, member, manager or employee of CVC shall not be credited against the management fee entitlement of the general partner.

The governing documents of each CVC Capital Fund include detailed information regarding the fees paid by that Fund. Investors should review the governing documents and offering materials for the CVC Capital Funds in which they are invested to fully understand the total amount of fees that could be paid by the CVC Capital Funds and, indirectly, their limited partners.

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

As discussed in Item 5 (Fees and Compensation), CVC U.S. is paid for its sub-advisory services on a cost-plus basis, as provided in the Sub-Advisory Agreement. In addition, as discussed in Item 5 (Fees and Compensation), CVC U.S. also receives an annual performance fee determined by reference to the performance of CVC U.S. regarding advisory services it provides relative to the performance of the other local sub-advisers in the CVC Advisory Group. These fees are paid to CVC U.S. from the management fees paid by the CVC Capital Funds. CVC, its affiliates and certain personnel (including certain CVC U.S. personnel) receive a portion of the carried interest to which CVC is entitled in respect of the CVC Capital Funds. The fact that the carried interest is based on performance of the CVC Capital Funds may create an incentive for the CVC U.S. investment professionals to recommend, and the Primary Advisers or the general partners to the CVC Capital Funds to make, investments that are more speculative than would otherwise be the case.

The CVC Capital Funds vary in size, investment objectives, geographical focus, acceptable risk levels, return targets, and permissible asset classes. As a result, most investment opportunities will be allocated exclusively to one of the CVC Capital Funds. Certain investments, however, may be appropriate for more than one CVC Capital Fund. As a non-discretionary sub-adviser, CVC U.S. has no authority over investment allocations. While CVC U.S. investment teams may make recommendations regarding the CVC Capital Fund(s) for which a particular investment is suitable, allocation decisions are handled by the Primary Advisers' Investment Committees or the general partners of the Mature Funds, as appropriate, in accordance with CVC's allocation policies and procedures, which seek to allocate investment opportunities among clients in a fair and equitable manner.

Opportunities may arise for individual investors, or other third parties, to co-invest in parallel with a CVC Capital Fund on terms to be agreed, which may provide for lower management fees and carried interests than those paid by CVC Capital Funds, or no management fee. As a sub-adviser, CVC U.S. has no authority with respect to the allocation of co-investment opportunities, which are solely in the discretion of the Primary Advisers' Investment Committees or general partner of the relevant Mature Funds, as appropriate, and are offered solely when it has been determined to be in the best interest of the participating CVC Capital Fund(s). There is no guarantee that any particular CVC Capital Fund investor will be granted co-investment opportunities.

## **Item 7. Types of Clients**

CVC U.S. makes investment recommendations for the CVC Capital Funds to CVC Capital Advisory Luxembourg, which sub-advises CVC Capital PE Advisors, which in turn advises (or sub-advises, in the case of the Mature Funds) the Primary Advisers. Each CVC Capital Fund operates as a pooled investment vehicle. Investors in the CVC Capital Funds may include, among others, public pension plans, investment vehicles (e.g., funds of funds), financial institutions, sovereign wealth funds, private sector pension funds, endowments, foundations, and high net worth individuals. All investors are required to be "accredited investors" (as defined in Regulation D promulgated under the Securities Act of 1933) or otherwise be permitted to invest under applicable securities laws.

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

The CVC Capital Funds are private equity funds focused on control-oriented equity investments in private companies. The Growth Fund focuses on investments in middle-market, growth-oriented technology companies operating in the software and technology-enabled business services sectors, primarily in North

America. Fund VI and the Mature Funds are not limited by sector, and focus on investments in fundamentally sound, well-managed, cash-generative upper middle-market businesses in Europe and North America. The Mature Funds have completed their active investment periods and are no longer making new investments. However, the Mature Funds could still make new, follow-on investments in companies they hold in their respective portfolios.

### ***Origination of Potential Investment Opportunities***

Consistent with CVC's global approach to sourcing private equity investments, CVC U.S. seeks to develop and maintain a pipeline of potential investments in North America and to position CVC Capital Funds as a favored buyer of a target company. CVC U.S. recommends to CVC Capital Advisory Luxembourg, and in turn to CVC Capital PE Advisors (for Fund VI and Growth Fund ) and then to the Primary Advisers' Investment Committees, a broad range of potential North American investment opportunities. The Investment Committees consider these potential investments alongside recommendations from other CVC sub-advisory affiliates globally and the Investment Committees seek to select the most attractive investments that meet the strict investment criteria as set out in the governing documents and offering materials for the CVC Capital Funds.

To facilitate their identification and development of investment opportunities, CVC U.S. investment professional maintain close relationships with corporations, management teams, family owners, governments and portfolio company employees, both directly and via their large network of experienced senior executives and local Industrial Advisers, typically leading business people based locally.

### ***Investment Recommendations***

At the appropriate time, the CVC U.S. investment team will prepare a Pre-PIR and/or PIR, which is the initial proposal to the relevant Investment Committee. If the preliminary investment recommendation is approved by the Investment Committee, the CVC U.S. investment team will typically be authorized to incur a specified amount in due diligence expenses directly or via CVC Capital Partners Services Sàrl, by engaging third parties, with a view to progress the opportunity to the next stage and respond to any questions or issues raised by the Investment Committee. The expenses are typically recharged to portfolio companies / acquisition vehicles for consummated deals and/or to the applicable CVC Capital Funds on abort.

After thorough due diligence and revisions to the recommendation as appropriate, the CVC U.S. investment team will submit a FIR, which represents the formal investment recommendation to the relevant Investment Committee.

The Investment Committee will consider whether a proposed investment is of sufficient quality, and determine whether to approve it. For the Mature Funds, CPAC, through its Investment Committees, advises the relevant general partner with respect to investment recommendations, and the general partner has discretion to approve or reject the investment. The general partner is then responsible for directing relevant personnel to effect approved transactions. For the other CVC Capital Funds sub-advised by CVC U.S., CVC Capital Jersey has investment discretion and is responsible for notifying the relevant CVC Capital Fund's general partner of the investment decision. CVC Capital Jersey also coordinates the investment completion process, which includes directing the general partner to effect the transaction and execute documents.

## ***Monitoring of Investments***

If a CVC Capital Fund makes an investment that CVC U.S. has recommended, the CVC Capital US investment team retains the responsibility on a day-to-day basis for monitoring the investment until disposition. The Primary Advisers, through the relevant Portfolio Committees and Investment Committees, independently review the progress of the investments made and may instruct CVC U.S., as sub-adviser, to take remedial actions, as appropriate.

## ***Value Creation***

Under the Sub-Advisory Agreement, CVC U.S. assists CVC Capital Advisory Luxembourg and in turn, CVC Capital PE Advisors and the Primary Advisers, in applying its operational, managerial, industry and functional expertise and effecting operational improvements defined in the value creation plan for the investment. The CVC U.S. investment professionals who recommend an investment will remain involved throughout the time a CVC Capital Fund owns that investment, including by working closely with the management team, as appropriate, in an effort to ensure that the company performs at its full potential.

## ***Exiting Investments***

CVC U.S. regularly reviews the investments it oversees for potential exits. On a semi-annual basis, CVC U.S. investment teams are required to prepare exit analyses, which set out updated forecasts for the performance of each portfolio company, forecast future value for all current investments, and present how and when each investment could be exited.

When the CVC U.S. investment team responsible for an investment considers that it is appropriate to exit the investment, the team submits a recommendation to the responsible Investment Committee. The exit completion process follows the same procedures as are followed in the initial investment process. The decision whether to exit an investment solely rests with the Primary Adviser or the general partner for the Mature Funds.

## ***Risk Factors and Potential Conflicts of Interests***

While CVC U.S. does not have authority to make investment decisions on behalf of the CVC Capital Funds, in its role as a sub-adviser, CVC U.S. makes investment recommendations in accordance with the CVC Capital Funds' respective investment strategies and authority, as set out in their offering materials and governing documents. Below is a summary of the key risk factors associated with an investment in the CVC Capital Funds.

The summary below is not a complete or exhaustive list or explanation of all risks involved in an investment in the CVC Capital Funds. Prospective and existing investors are advised to review the offering materials and other constituent documents for full details on the investment, operational and other actual and potential risks associated to a particular CVC Capital Fund.

### **Risk of Financial Loss**

The CVC Capital Funds' investment portfolios consist primarily of securities issued by privately-held companies. Operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk which may result in substantial losses, including the

loss of an investor's entire investment. An investment in the CVC Capital Funds is speculative and long-term with no certainty of return. The value of an interest in a CVC Capital Fund (and the distributions in respect of it) can fluctuate downward as well as upward, and an investor may suffer a financial loss in connection with its investment in the CVC Capital Funds.

#### Suitability of Investment

Investing in the CVC Capital Funds is not suitable for all investors. An investment is suitable only for expert investors. An investor must have the financial ability and experience to understand, the willingness to accept, and the financial resources to withstand, the extent of the investor's exposure to the risks and lack of liquidity inherent in an investment in the CVC Capital Funds. Investors should consult their professional advisers to assist them in making their own legal, tax, accounting, ERISA and financial evaluation of the merits and risks of investment in the CVC Capital Funds in light of their own circumstances and financial condition.

#### Nature of Investment

Investments and acquisitions are by their nature subject to risk. While CVC U.S. intends to recommend investments that have estimated returns commensurate with the risks undertaken, there can be no assurance of success.

The fact that CVC, its affiliates and certain personnel receive carried interest based on the performance of a CVC Capital Fund may create an incentive for the Primary Advisers or the general partners of the CVC Capital Funds to make investments that are more speculative than would otherwise be the case.

Investors will have no opportunity to control the day-to-day operations, including investment and disposition decisions, of the CVC Capital Funds because to do so would risk such investors losing their limited liability.

The CVC Capital Funds may invest in companies that are underperforming, with the aim of reversing such underperformance. There can be no guarantee such underperformance will be overcome.

Investors admitted to a CVC Capital Fund at closings subsequent to the initial effective date who participate in any then-existing investments of the fund will dilute the interest of existing investors in such investments. Although any such new investors will be required to contribute their pro-rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the fund's existing investments at the time of such contributions.

#### Illiquidity - Restrictions on Transfers and Withdrawals

Many of the CVC Capital Funds' investments may be highly illiquid and may only attract a limited number of prospective buyers. Accordingly, investments may often be difficult to value and to sell or otherwise liquidate and their realizable value may be less than their intrinsic value. There can be no assurance that the CVC Capital Funds will be able to realize such investments in a timely manner. Consequently, the timing of cash distributions to investors is uncertain and unpredictable. Investments may be difficult to value and dispositions of such investments may require a lengthy time period. Dispositions may also take the form of distributions of securities to the investors.



An investment in the CVC Capital Funds requires the financial ability and willingness to accept substantial risk and illiquidity. There will be no public market for interests in the CVC Capital Funds and none is expected to develop. The interests in the CVC Capital Funds will not be redeemable. Investors may not be able to liquidate their investments before the end of a CVC Capital Fund's term.

### Concentration

Each CVC Capital Fund has a broad investment charter, and there are only a few formal constraints on the type of investments in which a CVC Capital Fund may invest. In addition, because of the time it may take to source appropriate investments, a CVC Capital Fund's portfolio will not initially be diversified. One risk of having a limited number of investments is that the aggregate returns realized by investors may be substantially adversely affected by the unfavorable performance of a small number of such investments. Furthermore, to the extent that the total commitments are less than the targeted amount, the CVC Capital Fund may invest in fewer portfolio companies and therefore be less diversified.

If a CVC Capital Fund concentrates on businesses in basic service industries, rather than investments across a full range of industry sectors, any economic downturn in such service industries may impact the CVC Capital Fund's value.

Following its initial investment in a given portfolio company, the CVC Capital Fund may have the opportunity to increase its investment in such portfolio company. There is no assurance that the CVC Capital Fund will make follow-on investments or that the CVC Capital Fund will have sufficient funds to make all or any such investments. Any decision by a CVC Capital Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment, may result in a lost opportunity for the CVC Capital Fund to increase its participation in a successful portfolio company, may result in the fund's investment in the relevant portfolio company becoming diluted and in circumstances where the follow-on investment is offered at a discount to market value, may result in a loss of value for the CVC Capital Fund.

### Technology Sector-Focused Investment Strategy of Growth Fund

Growth Fund is expected to invest primarily in software and technology-enabled business services companies, rather than investing across a full range of industry sectors. Any economic downturn in the technology sector may impair the value of Growth Fund's investments. Concentration in a single industry may involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns.

The technology sector is challenged by various factors, including rapidly changing market conditions and/or participants, new competing products, services and/or improvements in existing products. Growth Fund's portfolio companies will compete in this volatile environment. There is no assurance that products or services sold by the portfolio companies will not be rendered obsolete or adversely affected by competing products and services or that the portfolio companies will not be adversely affected by other challenges. Instability, fluctuation, or an overall decline within the technology sector will likely not be balanced by investments in other industries not so affected, as Growth Fund's investments are concentrated in the technology, technology-enabled, and related growth sectors. In the event that the technology sector as a whole declines, returns to investors may decrease.

### Difficulty and Cost of Locating Suitable Investments

Although CVC has been successful in identifying suitable investments in the past, there is no guarantee that suitable deal flow will be available so that the CVC Capital Funds will be able to invest the aggregate commitments during the commitment period or that any such investments will be successful. The success of the CVC Capital Funds depends on the ability of CVC U.S. and its affiliated foreign sub-advisers to identify, and the ability of the Primary Advisers and general partners to select, effect and realize appropriate investments. The availability of investment opportunities generally will be subject to market conditions. In particular, in light of changes in such conditions, certain types of investments may not be available to a particular CVC Capital Fund on terms that are as attractive as the terms on which opportunities were available to other CVC Capital Funds historically. Accordingly, the CVC Capital Funds may make only a limited number of investments. Since these investments may involve a high degree of risk, poor performance by a few could significantly affect the return to investors. To the extent that any of the aggregate commitments are not invested, the CVC Capital Funds' potential for return may be diminished. No assurances can therefore be given that the target returns of the CVC Capital Funds will be achieved.

### Control Positions

CVC Capital Funds will generally take majority, concentrated and / or control positions in its portfolio companies. CVC generally designates directors to serve on the board of directors of the intermediate holding company of a portfolio company group and its material sub-committees. The exercise of control over a portfolio company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of government regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored. However, there may be circumstances where a CVC Capital Fund is or becomes a minority investor and is not in a position to protect its interest effectively.

Portfolio companies may have substantial variations in operating results from period-to-period, face intense competition, and experience failures or substantial declines in value at any stage. Membership on the board of directors of a portfolio company can result in personal actions in litigation both in such situations and in other circumstances. The CVC Capital Funds may be liable to make payments to cover liabilities arising from such actions.

In certain instances, a CVC Capital Fund may invest in portfolio companies alongside financial, strategic or other third-party co-investors. Investments alongside co-investors will involve additional risks which may not be present in investments where a co-investor is not involved, including the possibility that a co-investor(s) may have interests or objectives that are inconsistent with those of the particular CVC Capital Fund or may be in a position to take actions contrary to that CVC Capital Fund's investment objectives or may have financial difficulties that negatively impact such investment. Also, a particular CVC Capital Fund may in certain circumstances be liable for the actions of its third party partners or co-investors. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

### Minority Positions

The CVC Capital Funds may hold minority positions in certain portfolio companies or acquire securities that are subordinated vis-à-vis other securities as to economic or management rights or other attributes.

The CVC Capital Funds may therefore have limited ability to protect their position, or liability arising from, such companies and might not always be in a position to protect their position, or liability arising from, such companies and might not always be in a position to protect their interests effectively, particularly if such portfolio companies pursue objectives which are inconsistent with those of the CVC Capital Funds.

#### Investments in Less Established Companies

Growth Fund may invest a portion of its assets in the securities of less established companies or early stage companies. Investments in such early stage companies may involve greater risks than generally are associated with investments in more established companies. To the extent there is any public market for the securities held by Growth Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. Start-up enterprises may not have significant or any operating revenues and any such investment should be considered highly speculative and may result in the loss of Growth Fund's entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on Growth Fund's other investments. In addition, less mature companies could be deemed to be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which the fund invests, Growth Fund may suffer a partial or total loss of capital invested in that company. There can be no assurance that any such losses will be offset by gains (if any) realized on Growth Fund's other investments.

#### Leverage

Portfolio companies in which the CVC Capital Funds invest may incur debt. Such portfolio company leverage generally magnifies both the CVC Capital Funds' opportunities for gain and risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are unfavorable, it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the CVC Capital Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the fund. Furthermore, should the credit markets be unfavorable at the time the CVC Capital Funds determine that it is desirable to sell all or a part of a portfolio company, the CVC Capital Funds may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the CVC Capital Funds will invest generally will not be rated by a credit rating agency.

#### Valuation Risks

A majority of the CVC Capital Funds' investments are fair valued by the Primary Advisers or an affiliated party. There can be no assurance that investments will ultimately be realized for amounts equal to, or greater than, these valuations, or that the past performance information based on such valuations

will accurately reflect the realization value of such investments. The actual realized returns generated by unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, and any related transaction costs and performance data. Valuations are subject to determinations, judgments and opinions, and other third parties or investors may disagree with such valuations.

#### Loans to Portfolio Companies and Use of Hedging Arrangements

The general partner will, from time to time, pre-fund the initial set-up costs of an investment by either advancing a loan to an Intermediate Holding Vehicle ("IHV") or paying up share capital in an IHV.

In the case of the general partner making a loan to an IHV: the loan is typically formally documented and is made on an interest free basis; the loan is either (i) paid directly to the IHV, or (ii) paid to a third party e.g. in situations where a setup related cost (e.g. a regulatory filing fee) needs to be funded by the IHV before the IHV has established a bank account; the loan is repaid prior to, or contemporaneously with, the particular CVC Capital Fund's acquisition of the investment, either (i) by the IHV, once its shares have been transferred to the CVC Capital Fund and it receives funding from the CVC Capital Fund; or (ii) by way of an assignment of the loan to the CVC Capital Fund at cost.

In the case of the general partner paying up share capital in an IHV, the general partner is reimbursed prior to the CVC Capital Fund's acquisition of the investment when the shares in the IHV are transferred at cost to the CVC Capital Fund.

In certain cases, when lending (or purchasing shares) in a currency other than the reference currency of the general partner, upon the repayment of the loan (or transfer of the shares), the general partner may generate an FX gain or loss in the general partner's favor.

#### Risks Regarding Disposal of Portfolio Investments

A CVC Capital Fund may make investments that may not be advantageously disposed of prior to the date that the CVC Capital Fund is terminated, either by expiration of the CVC Capital Fund's term or otherwise. Although CVC expects that the majority of investments will be disposed of prior to termination or be suitable for distribution in-specie at termination, the general partner has a limited ability to extend the term of the relevant CVC Capital Fund, and the fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of termination.

Privately held companies generally maintain less comprehensive financial information than listed companies. Therefore, CVC U.S. may make investment recommendations, and the Primary Advisers/general partners (for Mature Funds) may make investment decisions, and monitor such investments, after reviewing information which is less comprehensive than that available to an investor in a listed public company. A public market for investments may never develop, and it may be difficult for the CVC Capital Fund to liquidate investments or find prospective buyers in the private market.

#### Indemnification

The transactional nature of the business of the CVC Capital Funds exposes the CVC Capital Funds to risks of third party litigation. Under the CVC Capital Funds' governing documents, the CVC Capital Funds will generally be responsible for indemnifying CVC for costs incurred with respect to litigation.

### CVC Personnel

CVC and its partners, executives and investment professionals may invest in or alongside a particular CVC Capital Fund from time to time. Whilst such CVC Commitment should generally align the interests of CVC and such persons with the interests of the particular CVC Capital Fund and its investors; situations could arise in which CVC or such persons have interests which conflict with the interests of the particular CVC Capital Fund and its investors notwithstanding such CVC Commitment. In addition, CVC personnel may trade in securities or other instruments for their own accounts, subject to restrictions and reporting requirements as may be required by law and subject as provided in the partnership agreements and to any other restrictions implemented from time to time by CVC with respect to such trading activity (including CVC's Code of Ethics). Such trading activity may include buying or selling securities or other instruments in which a particular CVC Capital Fund has invested or in securities or other instruments in investment opportunities which were considered by a CVC entity for recommendation to the particular CVC Capital Fund but which that particular CVC Capital Fund turned-down. CVC personnel may also have other separate interests relating to investment opportunities that have been recommended to a particular CVC Capital Fund by any of the CVC entities and turned down, including through directorships, subject to relevant policies and procedures implemented by CVC from time to time with respect to such interests. A conflict of interest may arise because such investing CVC personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by CVC entities with respect to a potential investment by the particular CVC Capital Fund. In such circumstances, the investing CVC personnel will not share in, or reimburse the particular CVC Capital Fund or any CVC entity for, any expenses incurred in connection with presenting the investment opportunity to that particular CVC Capital Fund. In addition, the terms offered to CVC personnel in respect of such investment opportunity and the circumstances in which such terms are offered may vary from the terms which were offered to the particular CVC Capital Fund, and the circumstances that existed at the time of such offer to the particular CVC Capital Fund, in respect of such investment opportunity.

### Side Letters

The general partner may enter into a side letter or other similar agreement with a particular investor in connection with its admission to a CVC Capital Fund without the approval of any other investor, which would have the effect of establishing rights under or supplementing the terms of the Partnership Agreements with respect to such investor in a manner more favorable to such investor than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments) or withdrawal and / or related rights with respect to the CVC Capital Fund generally in certain limited regulatory and / or policy related circumstances, (ii) reporting obligations of the general partner and/ or the investment manager, (iii) waiver of certain confidentiality obligations, (iv) management fee discounts, (v) consent of the general partner to certain transfers by such investor, (vi) preferential access to co-investment opportunities, or (vii) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor. Certain side letters grant certain investors the right to nominate a member to a CVC Capital Fund's Advisory Board; such membership may result in preferential access to confidential Fund information. As a sub-adviser, CVC U.S. has no role in negotiating or entering into side letters.

## Reliance on the General Partner, the Investment Manager and Portfolio Company Management

Control over the operation of the CVC Capital Funds will be vested entirely with the general partner and the relevant Primary Adviser, and the CVC Capital Funds' future profitability will depend largely upon the business and investment acumen of CVC investment professionals. Investors generally have no right or power to take part in the management of the CVC Capital Funds, and as a result, the investment performance of the CVC Capital Funds will depend entirely on the actions of the Primary Advisers (or the general partners of the Mature Funds). Although the Primary Advisers and their affiliated local advisers (including CVC U.S. with respect to North American investments) will monitor the performance of each CVC Capital Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the CVC Capital Funds generally intend to invest in companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

Additionally, certain CVC investment professionals may be appointed to the board of directors of a portfolio company of a particular CVC Capital Fund as a result of which an investment professional may have an interest in, or owe a duty to, a portfolio company which conflicts with such investment professional's interest in, or duty to, either the particular CVC Capital Fund or its other portfolio companies. More generally, the interests of one or more portfolio companies of any other CVC Capital Fund may conflict or compete with the interests of any one or more portfolio companies of the particular CVC Capital Fund, which could give rise to conflicts of interests in connection with that particular CVC Capital Fund's and such other CVC Capital Fund's activities in respect of such portfolio companies.

CVC may from time to time hire short-term or long-term personnel (or interns) who are connected or associated with an investor, portfolio company or a service provider. Although reasonable efforts are made to mitigate any potential conflicts of interest with respect to such hires, there is no guarantee that CVC can control all such potential conflicts of interest, and conflicts could arise as a result of any such hires.

## Co-investment Opportunities

In certain situations a CVC Capital Fund may not take up an entire investment opportunity or retain an investment in full and the general partner may determine that one or more parties should participate in such investment alongside the particular CVC Capital Fund at the time such investment is made or following a syndication process. Any such co-investment opportunities are offered at the discretion of the general partner and, whilst such opportunities may be offered to investors in that particular CVC Capital Fund, the general partner has no obligation to do so. The general party may put its own interests ahead of those of the investors in that particular CVC Capital Fund in determining the allocation of co-investment opportunities. Transaction-specific returns, and an investor's overall returns from its exposure to any portfolio companies, may be affected significantly by the extent to which such investor is offered and chooses to participate in co-investment opportunities. The performance of co-investments will not be aggregated with that of the particular CVC Capital Fund, including for purposes of determining the carried interest or management fees. The general partner shall be entitled to charge a management profit share (or similar) and/or carried interest in relation to any such co-investment opportunity and shall be under no obligation to account to the particular CVC Capital Fund for any such fees. This may create an incentive to allocate a share of an investment to co-investors where fees received by CVC in respect of such co-investment are not credited against the management fees in circumstances where such fees

would be so credited had the entire investment been allocated to the particular CVC Capital Fund. Please refer to Item 5 for further details.

#### Risk of Default by Investors

Any default by an investor in advancing capital in respect of its commitments to the CVC Capital Fund could have an adverse impact upon the CVC Capital Fund's ability to complete a transaction and / or could increase the relative exposure of non-defaulting investors to such transactions.

#### Conflicting Investor Interests

Investors may have conflicting investment, tax and other interests with respect to their investments in the CVC Capital Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Primary Advisers with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to an investor's individual tax situations. In selecting and structuring investments appropriate for a CVC Capital Fund, the relevant Primary Adviser, in conjunction with the Fund's general partner, will consider the investment and tax objectives of the CVC Capital Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

#### Public Company Holdings

A CVC Capital Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the CVC Capital Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include but are not limited to greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the CVC Capital Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including CVC investment professionals, and increased costs associated with each of the aforementioned risks.

#### Regulatory Risk

Before making an investment, a thorough due diligence of compliance with statutory and corporate requirements by the portfolio company will be completed by the relevant CVC-affiliated sub-advisers, including CVC U.S. The relevant Portfolio Committee is charged with review of risks over the period of the CVC Capital Fund's investment. However, CVC U.S., the Primary Adviser, nor the general partner can give any assurance that the portfolio company is, and will continue to be, fully compliant with all necessary regulations. This risk is more significant in the case of unlisted companies than listed companies. Additionally, unlisted companies are not regulated by equivalent levels of disclosure and investment protection regulations that apply to listed companies. Also, changes in regulatory conditions may adversely affect the marketability and financial performance of certain investments, which in turn may affect the distributions which the CVC Capital Fund receives from such investments. Regulatory restrictions may reduce the number of investment opportunities available to the CVC Capital Funds or result in a CVC Capital Fund being unable to pursue certain elements of its investment strategy.

## Cyber Security Breaches and Disaster Recovery

Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. CVC's, the CVC Capital Funds, the portfolio companies' and our service providers' information and technology systems may be vulnerable to damage or interruption from computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information. Although CVC has implemented, and portfolio companies and service providers may implement or already have implemented, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing it from being addressed appropriately. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in CVC's, the CVC Capital Funds and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and their beneficial owners) and the intellectual property and trade secrets of CVC and/or portfolio companies. CVC, the CVC Capital Funds and/or a portfolio company could be required to make a significant investment to remedy the effects of any such failures, harm their reputations, subject them and their respective affiliates to legal claims and adverse publicity and otherwise affect their business and financial performance.

## Market Stability

The operation of a CVC Capital Fund's investments may be affected by sovereign or political risk. Major disturbances such as wars, riots, strikes, blockades, acts of terrorism or outbreak of associated military or responsive action have the potential to adversely affect the costs or revenues of the CVC Capital Fund's investments, which could have a material adverse effect on the earnings of the CVC Capital Fund and its ability to make distributions.

General economic conditions, including interest rates, the availability of financing, the price of securities and participation of other investors in the financial markets may adversely affect the value and number of investments made by a CVC Capital Fund. There is a risk, particularly given the recent instability in the financial sector that counterparties may default on their contractual obligations to the CVC Capital Fund or its investments. Any such counterparty default would be likely to have an adverse effect on the value of the investments and on the returns to investors.

## Service Providers and Value Added Investors

Certain conflicts of interest may arise in respect of service providers or their affiliates (including any administrators, lenders, brokers, attorneys, consultants and investment or commercial banking firms) and certain other advisors and agents of a CVC Capital Fund which may be investors and / or sources of investment opportunities and co-investors or counterparties in a particular CVC Capital Fund or other CVC Capital Funds and may also provide goods or services to or have business, personal, financial or other relationships with CVC and/or its affiliates or be entities in which CVC and/or a particular CVC



Capital Fund has an investment (and payments by the relevant CVC Capital Fund and/or such entities may indirectly benefit CVC and/or such CVC Capital Fund). This may influence the general partner in deciding whether to select such a service provider to perform services for the particular CVC Capital Fund or in respect of any investment (the cost of which will generally be borne by the Fund).

Notwithstanding the foregoing, investment transactions for a particular CVC Capital Fund that requires the use of a service provider generally will be allocated to service providers on the basis of the general partner's judgment as to factors such as best price or other similar factors, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that the general partner believes to be of benefit to the particular CVC Capital Fund. Additionally, misconduct by service providers (such as the improper use or disclosure of confidential information which could result in litigation or serious financial harm, including limiting the particular CVC Capital Fund's business prospects or future activities), which the general partner may not be able to detect and prevent, could cause significant losses to the particular CVC Capital Fund. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to CVC, the general partner, the investment adviser or their respective affiliates as compared to services provided to the particular CVC Capital Fund, which may result in more favorable rates or arrangements than those payable by the particular CVC Capital Fund. With respect to service providers, for example, the fee for a given type of work may vary depending on the complexity of the matter as well as the expertise required and demands placed on the service provider. Therefore, to the extent the types of services used by the particular CVC Capital Fund and its portfolio companies are different from those used by CVC or its affiliates; CVC or its affiliates may pay different amounts or rates than those paid by the particular CVC Capital Fund and portfolio companies. This may result in more favorable rates applying in respect of CVC and its affiliates than those that apply in respect of the particular CVC Capital Fund and its portfolio companies.

## **Item 9. Disciplinary Information**

CVC U.S. and its personnel have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of the firm or its personnel.

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

### ***CVC Private Equity Business***

CVC U.S. is affiliated with CVC Capital Luxembourg, CVC Capital Advisory Luxembourg, CVC Capital PE Advisors and CVC Capital Jersey through the indirect common ownership by CVC Advisory Holding Foundation. CVC U.S. also is under common ownership with the other affiliated local advisers that sub-advise the Primary Advisers, through CVC Capital Advisory Luxembourg and CVC Capital PE Advisors, with respect to CVC Capital Fund investments in other geographical locations around the world. Under the relevant sub-advisory agreements, each of those affiliated local advisers operates in, and is responsible for making investment recommendations with respect to, a geographic location distinct from that of CVC U.S. In addition, the Primary Advisers and the general partners of the CVC Capital Funds are deemed related persons of CVC U.S. for Form ADV disclosure purposes.

## ***CVC Credit Business***

CVC Credit Partners, LLC, a Delaware limited liability company, is a wholly owned subsidiary of CVC Credit Partners, L.P., a global credit management joint venture between CVC Credit Holding and Resource America, which was acquired by C-III in September, 2016.

The CVC Credit Partners global platform also includes two separately-organized U.K. investment advisers, CVC Credit Partners Limited and CVC Credit Partners Investment Management Limited, which are regulated by the U.K. Financial Conduct Authority and are Relying Advisers of CVC Credit Partners, LLC.

The CVC Credit Partners advisers above are under common ultimate control with two other registered investment advisers which focus on the management of Collateralized Loan Obligation (“CLO”) vehicles and are held under a separate ownership structure. These advisers are, CVC Credit Partners U.S. CLO Management LLC in the U.S. and CVC Credit Partners European CLO Management, LLP, which is regulated by the U.K. Financial Conduct Authority. Both of these advisers are wholly-owned subsidiaries of CVC Credit Partners Global CLO Management Limited, a closed ended private limited liability company incorporated in Jersey.

Collectively all of the above investment advisers are referred to herein as “CVC Credit Partners”.

The CVC Credit Partner business is managed independently of CVC’s private equity business.

CVC Credit Partners provides investment advisory services to clients including collateralized loan obligations, collateral debt obligations and collective investment vehicles, private funds and separately managed accounts for institutional investors on a discretionary and non-discretionary basis (together “CVC Credit Funds”). CVC Credit Funds pursue primarily U.S. and European leveraged and performing credit strategies (such as broadly syndicated bank loans, secured and leveraged loans, floating rate loans, second lien loans, corporate and high yield bonds, convertible bonds), alternative credit strategies (such as mezzanine debt, structures and illiquid credit), special situations (such as stressed and distressed credit, equity and preferred securities, reorg equity), mid-market lending (privately negotiated loans to mid-market companies), currency forwards and other derivative instruments. These investments are generally not suitable for the CVC Capital Funds. Notwithstanding the foregoing, certain conflicts of interest may arise in situations in which CVC Capital Funds and CVC Credit Funds independently make investments in different parts of the capital structure of the same company (e.g., a CVC Credit Fund provides financing to, or otherwise invests in the debt instruments of, a CVC Capital Fund’s portfolio company).

In order to address these conflicts of interest, CVC has adopted policies and procedures that establish certain barriers between CVC Credit Partners and the rest of CVC (including CVC U.S.). CVC Credit Partners and the rest of CVC maintain separate investment committees and operating boards. No member of CVC Credit’s investment committees serves on any of the Investment Committees for CVC Capital Funds. While certain senior CVC personnel serve on the CVC Credit Partners Advisory Board and other CVC Credit Partner companies, these personnel have no access to underlying private information and do not participate in CVC Credit Partners investment decisions. CVC also maintains strict information barriers to prevent inadvertent dissemination of information between CVC Credit Partners and the rest of CVC. Collaboration between CVC Credit Partners personnel and CVC Capital Partners personnel may therefore be limited; this in turn may reduce potential synergies across CVC.

Material conflicts between a CVC Capital Fund and any member of CVC are brought to the attention of the investor Advisory Boards of the relevant funds, as provided in the CVC Capital Funds' governing documents. CVC Credit Partners has established an independent subcommittee of independent directors of its board to provide review and guidance to CVC Credit Partners investment committee with respect to any situation where there is the potential for (or perception of) a material conflict of interest between CVC Credit Partners and the rest of CVC. In addition, if CVC Credit Partner clients provide financing to portfolio companies of the CVC Capital Funds, the CVC Credit Partner clients participate on arm's length terms no more favorable than the terms on which any other lender participates.

CVC Credit Partners Funds or other CVC Capital Funds may participate in the debt tranches of an investment (alone or in addition to participating in the equity tranche). As the general partner, manager and/or adviser of a particular CVC Capital Fund and any such other CVC Capital Fund, CVC would owe a fiduciary duty to such other CVC Capital Fund, as well as to the particular CVC Capital Fund. If such a CVC Capital Fund were to purchase high yield securities or other debt or other instruments from a portfolio company senior to the particular CVC Capital Fund's investments, CVC may, in certain instances, face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of, such CVC Capital Fund and the particular CVC Capital Fund (e.g., with respect to the terms of such high yield securities or other debt or other instruments, the enforcement of covenants, the terms of recapitalizations). If a Credit Partners Fund were to purchase such securities, CVC may face a conflict of interest. To mitigate the risk of such a conflict arising, the investment decision process in respect of CVC Credit Partners Funds runs separately to that in respect of CVC Capital Funds with no overlap of decision making personnel.

### ***CVC Funding, LLC***

CVC Funding, LLC is registered as a broker-dealer in the U.S. with the SEC and FINRA and is a wholly-owned subsidiary of CVC Credit Partners, LLC. CVC Funding, LLC's primary focus is to conduct activities as a finder and/or placement agent for CVC Credit Partners and CVC Capital Partners own proprietary private funds. These private placements are offered pursuant to Rule 506 of Regulation D, as well as Regulation S. CVC Funding, LLC does not execute transactions on behalf of CVC.

### ***Commodity Pool Operators and Commodity Trading Advisors***

Because certain CVC Capital Funds may have the ability to invest in commodity interests, the CVC Capital Funds may be subject to regulation as a commodity pool and CVC U.S. as commodity pool operator under the Commodity Exchange Act and the rules of the U.S. Commodity Futures and Trading Commission ("CFTC"). However, because CVC Capital Funds limit trading in commodity investments and because interest in the CVC Capital Funds are offered and sold without marketing to the public, CVC and CVC U.S. is exempt from having to register as a commodity pool operator pursuant to CFTC Rule 4.13(A)(3).

### ***Board Positions***

Personnel of CVC U.S. or its affiliates, or of other entities within CVC's private equity business, may serve as directors of, and provide advice to, CVC Capital Fund portfolio companies. These affiliations and activities facilitate the investment strategy and management of client portfolios. Compensation, if any, in connection with directorships with portfolio companies of the CVC Capital Funds is typically remitted for the benefit of the relevant CVC Capital Fund. As discussed above in Item 5, Industrial

Advisers also may serve on portfolio company boards of directors. Fees paid to Industrial Advisers in connection with such services do not benefit the CVC Capital Funds, by offset to the management fee or otherwise.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

CVC U.S. is subject to CVC's global Code of Ethics (the "Code"). The Code expresses CVC's operating principles of integrity, honesty and fiduciary duties owed to clients. The Code sets forth a standard of business conduct expected of all of CVC directors, officers, partners and employees ("CVC Persons") as well as policies and procedures that CVC Persons must follow to prevent activities which may lead to or give the appearance of conflicts of interest, insider trading, and other forms of unethical behavior. CVC U.S.' personnel are all CVC Persons subject to the Code.

Subject to certain exceptions consistent with industry requirements (e.g., U.S. government securities, open-end investment companies, etc.), the Code requires CVC Persons to report securities transactions each quarter in accounts in which they, or their immediate family members or other family members living in their household, have a "beneficial interest." CVC Persons must also report any newly opened accounts on an ongoing basis. Additionally, CVC Persons certify annually in writing regarding holdings and existing accounts as well as compliance with the terms of the Code. The Code also requires CVC Persons to receive pre-clearance before entering into purchases and sales (investments and redemptions) involving IPOs or private placements.

In addition, the governing documents for the CVC Capital Funds impose limitations on personal investing by certain CVC Persons in opportunities within the investment scope of the funds.

Additionally, CVC has adopted policies and procedures to prevent insider trading, which are designed to ensure proper handling of confidential information to prevent violation of laws and regulations prohibiting the misuse of such information, and to avoid situations which might create the appearance of such misuse. CVC also has adopted procedures that establish certain information barriers between CVC U.S. and the rest of CVC's private equity business, on the one hand, and CVC Credit, on the other, as previously discussed in Item 10. These procedures are designed to prevent inadvertent dissemination of information between CVC Credit and the rest of CVC, including CVC U.S. CVC's Compliance team is responsible for administering the prevention of insider trading procedures, monitoring compliance with the information barriers established by CVC and overseeing the manner by which CVC addresses potential conflicts of interest.

The Code additionally requires CVC's compliance department to regularly review all personal trading documents and to address any issues noted during the review, including the appropriateness of imposing sanctions for violations of the Code.

A copy of the Code will be provided to any investor or prospective investor upon request by contacting Mr. Raju Hussain, CVC U.S.' Chief Compliance Officer at 0044 207 420 4200.

## **Item 12. Brokerage Practices**

CVC U.S. has no authority to execute investments, or to select or engage financial intermediaries such as broker-dealers, on behalf of the CVC Capital Funds.

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

CVC U.S. engages in ongoing monitoring and review of North American portfolio company investments made on behalf of the CVC Capital Funds. CVC U.S. provides reports to CVC Capital Luxembourg with respect to such investments including: (i) monthly financial trading summary, (ii) a quarterly review of each portfolio company investment, (iii) information on and estimates of the value of each investment at least every six months and more frequently if there are material changes in value; and (iv) periodic legal, regulatory, tax and accounting reporting with respect to portfolio company investments.

CVC U.S. relies on the general partners of the CVC Capital Funds to provide quarterly and annual reports, including audited financial statements, to investors in the CVC Capital Funds in accordance with the terms of the applicable governing documents.

### **Item 14. Client Referrals and Other Compensation**

From time to time, CVC U.S. personnel may be entitled to receive cash and non-cash breakup, directors', underwriting, syndication and other similar fees from portfolio companies in connection with the purchase, monitoring or disposition of investments or from unconsummated transactions and other rights in respect of securities owned by the CVC Capital Funds. CVC U.S. will request those fees be paid to CVC U.S. and not directly to its personnel. As disclosed in Item 5 (Fees and Compensation), to the extent that any Fee Income is received by CVC U.S. or its personnel, CVC Capital Advisory Luxembourg will reduce the fee paid to CVC U.S. as provided in the underlying fund documents.

### **Item 15. Custody**

CVC U.S. may be deemed to have custody of client accounts because entities within CVC's private equity business serve as general partner, managing member or a similar role for the CVC Capital Funds. CVC U.S. relies on the audit exception to the reporting and surprise examination obligations under the SEC's custody rule that is available to pooled investment vehicles. Audited financial statements are distributed to each of the CVC Capital Fund's respective investors no later than 120 days after the relevant CVC Capital Fund's fiscal year end.

### **Item 16. Investment Discretion**

CVC U.S. does not have investment decision-making authority for any client. As described above, CVC U.S. sources potential investments and makes investment recommendations to CVC Capital Advisory Luxembourg, which in turn provides investment advice to the Primary Advisers.

### **Item 17. Voting Client Securities**

CVC U.S. does not have authority to vote client securities. The Primary Advisers' Investment Committees for the CVC Capital Funds (or the general partners upon the recommendation of the Investment Committees, with respect to the Mature Funds) have authority to make voting decisions with respect to all material matters subject to a vote and that may have an economic impact on the CVC Capital Fund's investment. Voting decisions with respect to administrative and routine business matters generally are made by the boards of directors of the holding companies established by the CVC Capital Funds to hold portfolio company investments.

In connection with its ongoing monitoring and supervision of CVC Capital Fund investments in North America under the Sub-Advisory Agreement, CVC U.S. personnel may (i) make recommendations to the Investment Committees with respect to proxy voting or corporate actions in connection with those investments or (ii) serve as directors on the holding company boards that make voting decisions on administrative and routine business matters. CVC U.S. also may be directed by the Primary Advisers or CVC Capital Fund general partners to submit votes on behalf of the CVC Capital Funds.

CVC U.S. has adopted and implemented policies and procedures under which CVC U.S. makes voting recommendations in accordance with its commitment to act in the best interests of the CVC Capital Funds.

## **Item 18. Financial Information**

CVC U.S. has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to sub-advise the CVC Capital Funds.