

# WCAS Management Corporation

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of WCAS Management Corporation (“WCAS” or the “Firm”). If you have any questions about the contents of this brochure, please contact James Gaven at (212) 893-9591. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about WCAS is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

## **Material Changes**

There were no material changes since the last annual update to the Firm's brochure filed March 28, 2019.

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## Advisory Business

WCAS is a corporation formed under the laws of the state of Delaware. Jonathan Rather is the only shareholder who owns more than 25% of WCAS. WCAS (or its predecessors) has been in business since 1979. WCAS Management, L.P. (“WCAS Management”) is an affiliate of WCAS and a relying adviser. WCAS Management is a limited partnership formed under the laws of the state of Delaware. References in this brochure to the “Firm” relate to WCAS and/or WCAS Management as applicable.

Each of WCAS and WCAS Management serve as an investment manager to certain related private investment partnerships or limited liability companies organized to make private equity investments in equity securities or subordinated debt of established businesses (each, a “Partnership”). WCAS and WCAS Management are also parties to a sub-advisory agreement, pursuant to which one party serves as sub-adviser with respect to certain Partnerships for which the other party serves as investment manager. The Partnerships invest in growth-oriented companies within the healthcare and technology industries. The Firm’s investment strategy is to (i) buy growth businesses in our two core industries, (ii) partner with outstanding management teams and (iii) build value through a combination of operational improvements, internal growth initiatives and strategic acquisitions. Investment management services consist of investigating, identifying, and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Partnerships, managing and monitoring the performance of investments, and disposing of investments.

The Firm’s seven equity Partnerships, Welsh, Carson, Anderson & Stowe XI, L.P., Welsh, Carson, Anderson & Stowe XII, L.P., Welsh, Carson, Anderson & Stowe XII Cayman, L.P., Welsh, Carson, Anderson & Stowe XII Delaware, L.P. and Welsh, Carson, Anderson & Stowe XII Delaware II, L.P., WCAS XIII, L.P. and WCAS XIII Cayman, L.P. (each, an “Equity

Partnership”), three feeder funds, Welsh, Carson, Anderson & Stowe XII Feeder Fund, L.P., Welsh, Carson, Anderson & Stowe XII Delaware II Feeder Fund, L.P. and WCAS XIII Feeder Fund, L.P. (each, a “Feeder Fund” and, collectively, the “Feeder Funds”), co-investment holding company, WCAS Co-Investment Holdco, L.P. (“Holdco”), and employee and consultant co-investment vehicles WCAS XI Co-Investors LLC, WCAS XII Co-Investors LLC and WCAS XIII Co-Investors LLC (collectively, “Co-Investors”) maintain an aggregate capital of approximately \$10 billion and the subordinated debt partnership, WCAS Capital Partners IV, L.P. (the “Subordinated Debt Partnership”), maintains an aggregate capital of approximately \$83 million as of December 31, 2019.

In providing services to each Partnership, the Firm formulates the investment objective for each Partnership, directs and manages the investment and reinvestment of each Partnership’s assets, and provides periodic reports to investors in each Partnership. Investment advice is provided directly to each Partnership and not individually to the limited partners of the Partnerships. The Firm manages the assets of each Partnership in accordance with the terms of the governing documents applicable to each Partnership.

## **Fees and Compensation**

For each Equity Partnership, WCAS or an affiliated company receives a management fee for providing administrative services. Management fees are generally payable quarterly in advance, and these are payable for any period that is less than a full quarterly period. Each Equity Partnership is generally charged an annual management fee of 1.5% during the investment period, and 0.75% to 1.0% after the investment period is over. The general partner of each Equity Partnership generally receives a carried interest allocation of 20% of profits on distributions derived from the recapitalization or disposition of investments or securities after limited partners receive a preferred return of up to 8% per annum, pursuant to the Agreement of Limited Partnership for the respective Partnership.

The Debt Partnership is outside of its initial term and therefore pays no management fee to the Firm.

Neither WCAS nor an affiliated company receives a management fee or carried interest allocation from the Feeder Funds, Co-Investors or Holdco.

Pursuant to the Agreement of Limited Partnership of each Partnership, limited partners are not permitted to make voluntary withdrawals. In the event of a non-voluntary withdrawal, the Firm will refund all pre-paid fees that have not been earned.

Portfolio companies have paid in the past and expect to pay in the future a fee to the Firm for services provided by our Resources Group, which was expanded in 2018 to include The Health Management Academy (“THMA”), an executive network and provider of leadership development programs for the nation’s leading health systems, a controlling interest in which is owned by the General Partners of WCAS. The Resources Group provides a wide range of pre- and post-acquisition and consulting services to companies in which the Partnerships invest, including operational improvements, revenue enhancement strategies, procurement and sourcing solutions

(including participation in group purchasing organizations), corporate advisory and other related services. Such fees are “Resources Group Fees” as defined in each applicable Partnership’s Agreement of Limited Partnership and are not Other Fees (as defined below), which reduce the quarterly management fee paid by the Partnership to the Firm. WCAS evaluates the Resources Group Fees paid by portfolio companies against estimates for costs of comparable third-party service providers at the time the Resources Group is engaged by a portfolio company to provide support that the Resources Group Fees paid by portfolio companies are below the amount such portfolio companies would pay third-parties to provide similar services. Members of the Resources Group have in the past and may in the future receive compensation from a portfolio company in which one or more Partnerships has an investment if they assume management, board or similar roles. Any such compensation is not a Resources Group Fee and such compensation received by members of the Resources Group who are employees of the Firm will be treated as a creditable fee to reduce the quarterly management fee pursuant to the relevant Partnership’s Agreement of Limited Partnership. The Firm may receive certain other fees in connection with the services provided to the Partnerships or their portfolio companies (collectively, “Other Fees”). A percentage of the Other Fees may be applied to reduce the quarterly management fee pursuant to each applicable Partnership’s Agreement of Limited Partnership. Portfolio companies have in the past and will in the future reimburse the Firm for approved expenses (including, without limitation, travel expenses, which may include expenses for private or first-class travel) incurred by the Firm in connection with its performance of services for such portfolio company and such reimbursements are not applied to reduce the quarterly management fee. Such expenses have in the past and may in the future include reimbursement for the use of an aircraft owned by one or more employees of the Firm (“WCAS Aircraft”). In instances where the Firm seeks reimbursement from a portfolio company for the use of WCAS Aircraft, such portfolio company will only be asked to reimburse the Firm an amount consistent with the reasonable market rate for a comparable chartered aircraft as determined by a third-party service provider. Beginning with WCAS XIII, L.P., the Firm will only be reimbursed the amount of a first class ticket for the use of any private air travel for any travel related to organization costs and due diligence on non-consummated transactions (i.e. “broken deals”) of WCAS XIII, L.P.

The Firm has in the past and may in the future participate in the same (but not more advantageous) vendor discounts offered to portfolio companies. In addition, the Firm has in the past and may in the future enter into a contract for services with a portfolio company in which one or more of the Partnerships has an investment. If such a contract is entered into, the Firm will pay market price for such services.

Detailed information regarding the fees charged to and carried interest allocations of each Partnership is provided in such Partnership’s Agreement of Limited Partnership and related documents. In addition to management fees and carried interest allocations, limited partners of each Partnership will bear indirectly the fees and expenses charged to such Partnership. Those fees and expenses will vary, and will include expenses associated with due diligence on non-consummated transactions (i.e. “broken deal” expenses), fees and expenses associated with making or selling portfolio investments, legal and accounting fees and expenses, taxes, commissions and brokerage fees, registration expenses, fees to government regulatory agencies, the cost of directors’ and officers’ liability insurance and other expenses such as litigation or broker-dealer expenses (each an “Ongoing Expense” and, collectively, “Ongoing Expenses”).

Pursuant to the Partnerships' Agreements of Limited Partnership, principals, employees and consultants of the Firm who co-invest through Co-Investors and investors in Holdco will bear only their allocable portion of fees and expenses associated with the acquisition and/or disposition of a portfolio company and do not bear any Ongoing Expenses of the Partnerships, including broken deal expenses. Investors should review all fees and expenses charged by the Firm, its affiliates, and others to fully understand the total amount of fees and expenses to be paid by the Partnerships and, indirectly, their limited partners.

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

Each Equity and Subordinated Debt Partnership allocates to its general partner a carried interest of up to 20%, subject to the terms of the applicable Agreement of Limited Partnership. The carried interest has in the past and may in the future create an incentive for the general partner of the Partnership to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments than would be made if such carried interest were not allocated to the general partner. The Firm addresses these conflicts of interest through careful review of investment opportunities by its investment professionals, full disclosure of investments to limited partners, as well as investments by its General Partners, employees and consultants alongside the Partnerships, in an effort to properly align the interests of such persons with the Partnerships.

## **Types of Clients**

The Firm provides advisory services to seven Equity Partnerships, Holdco, Co-Investors, the Feeder Funds and the Subordinated Debt Partnership. Each Partnership operates as a pooled investment vehicle. The minimum capital commitment for a limited partner of a Partnership is outlined in such Partnership's Agreement of Limited Partnership and other governing documents; however, the general partner of each Partnership maintains discretion to accept less than the minimum investment. In addition, a Partnership may enter into separate agreements, commonly referred to as "side letters", with certain investors. However, no Partnership will enter into a "side letter" with an investor that alters the liquidity terms under which the investor will invest in a Partnership.

Investors will be required to make certain representations when investing in a Partnership, including but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment, and (iii) they have the ability to bear the economic risk of an investment in the Partnership. Each investor will be furnished with a copy of the relevant Agreement of Limited Partnership and related agreements.

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

The Firm invests primarily in the United States within its two target industries: technology and healthcare. Although the primary investment focus is on companies located within the United States, the Firm may pursue attractive foreign investments on an opportunistic basis subject to certain limitations in the applicable Agreement of Limited Partnership.

The Firm seeks to invest in market-leading technology companies that deliver a tangible value proposition to their clients, generate attractive organic and acquisition-related growth opportunities, maintain recurring revenue with high operating leverage, possess a strong free cash flow profile, and occupy defensible market positions. These companies offer clients value in the form of expanded market opportunity, increased revenues, faster process or cycle times, reduced costs, increased operating leverage, better information exchange and improved quality of products and services.

The Firm also seeks to invest in market-leading healthcare companies that reduce healthcare costs, increase quality of care or service, enable payors and/or providers to improve efficiencies, and demonstrate proven business models with strong unit-level economics. The Firm has found over time that by targeting highly fragmented, complex or inefficient sectors with a combination of capital, strong management and strategic vision, it can create operating models and businesses that deliver substantial value to patients, providers, payors and shareholders.

The Firm's investment strategy is deal size agnostic, and activities include (i) conceiving and creating new market opportunities, (ii) providing capital to meet the needs of growing businesses, and (iii) investing in growth oriented later-stage buyouts and special situations. For both small and large investments, the Firm focuses on producing capital gains and attractive multiples of capital, in addition to strong internal rates of return. The Firm leverages its industry specialization, proprietary deal flow, sourcing expertise and operational focus, as well as the continuity and experience of its General Partners, to differentiate itself in the competitive private equity market. The Firm's investment strategy is comprised of the following key components:

- Industry Specialization in Attractive Sectors
- Consistent and Disciplined Investment Approach
- Portfolio Construction
- Partnering with Known Management Teams
- Investments Across Various Deal Sizes and Structures
- Focus on Operational Growth
- Control Investor Strategy
- Capital Markets Expertise

Acquiring an interest in one of the Partnerships involves a number of risks. An investment in a Partnership may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Partnership. No guarantee or representation is made that the Partnership will achieve its investment objective or that limited partners will receive a return of their capital.

All investing involves a risk of loss and the investment strategy offered by the Firm could lose money over short or even long periods. The description contained below is a brief overview of some different investment risks related to the Firm's investment strategy:

**General Business and Management Risk.** Investments in portfolio companies subject the Partnerships to the general risks associated with the underlying businesses, including market

conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could have a significant adverse effect on the portfolio company's performance. While in all cases the Firm will monitor portfolio company management, the management of each portfolio company will have day-to-day responsibility for the operations of such portfolio company.

**Lack of Diversification.** The Firm expects that each Partnership will have a portfolio that is nondiversified. Each Partnership will make investments in technology and healthcare.

**Liquidity Issues.** A Partnership will generally invest in instruments where there is no actively traded market. Moreover, many of a Partnership's investments may be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, a Partnership may find it more difficult to sell such instruments when the Firm believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to a Partnership may be further limited. Finally, dispositions of investments may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

**Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The Partnerships face competition from numerous competitors in all fields of activity. The Partnerships will be competing for investments with a variety of other investment vehicles, as well as individuals, financial institutions and other institutional investors. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. There can be no assurance that the Partnerships will be able to locate and complete investments which satisfy their respective investment objectives or that each Partnership will be able to invest fully its available capital.

**Valuation of Assets.** There is no actively traded market for most of the securities owned by the Partnerships. When estimating fair value, the Firm will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review and approval, and ensuring that portfolio investments are fairly valued is an important focus of the Firm.

**Coronavirus Outbreak Risks.** The recent global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. In particular, the COVID-19 outbreak has already, and will continue to, adversely affect the Partnerships' investments and the industries in which



they operate. Furthermore, the Firm's ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate and travel to the extent necessary to carry out the Partnerships' investment strategies and objectives and the Firm's business and to satisfy its obligations to the funds, their investors, and pursuant to applicable law, has been, and will continue to be, impaired. The spread of COVID-19 among the Firm's personnel and its service providers would also affect the Firm's ability to properly oversee the affairs of the Partnerships (particularly to the extent such impacted personnel include key investment professionals or other members of senior management).

Prospective investors in a Partnership should review the Partnership's Agreement of Limited Partnership and related documents to understand the risks and potential conflicts of interest. However, the risks and potential conflicts of interests described in a Partnership's Agreement of Limited Partnership are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of a Partnership.

## **Disciplinary Information**

Except as described below, neither the Firm nor any of its executive officers or other "management persons" as defined in Form ADV has been subject to legal or disciplinary events related to this Item.

On September 17, 2020, WCAS, without admitting or denying any findings except as to the Commission's jurisdiction and the subject matter of the proceedings, consented to the entry of an Order Instituting Cease-and-Desist Proceedings (the "2020 Order") in settlement of an Administrative Proceeding. The 2020 Order found that WCAS did not file a timely amendment to its Schedule 13D disclosure after it sold shares in Hanger, Inc. and decided to liquidate its position. The 2020 Order found that WCAS violated Section 13(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 13d-2(a) thereunder. Pursuant to the 2020 Order, WCAS was fined a civil monetary penalty of \$100,000. and was ordered to cease and desist from future violations of Section 13(d)(2) of the Exchange Act or Rule 13-d-2(a) thereunder. The 2020 Order is final and the penalty was paid in full to the SEC on September 22, 2020.

On April 24, 2018, WCAS, without admitting or denying any findings except as to the Commission's jurisdiction and the subject matter of the proceedings, consented to the entry of an Order Instituting Administrative and Cease and Desist Proceedings (the "Order") in settlement of an Administrative Proceeding. The Order found that WCAS did not fully disclose conflicts of interest between WCAS and its private equity fund clients in connection with an agreement between WCAS and a group purchasing organization that provided services to certain portfolio companies owned by funds advised by WCAS. By virtue of this conduct, the Order found that WCAS violated Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder. Pursuant to the Order, WCAS was censured, ordered to cease and desist from committing or causing any violations and any future violations of Section 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, and ordered to pay disgorgement in the amount of \$623,035

plus prejudgment interest of \$65,784.78, as well as a civil money penalty in the amount of \$90,000. The Order is final and the disgorgement, interest, and penalty were paid in full to the SEC on May 2, 2018. No WCAS investor, Partnership or portfolio company paid any fees or expenses under the group purchasing agreement or settlement.

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

In certain limited circumstances, General Partners or employees of the Firm may serve as directors of companies that are not in the portfolio of any Partnership or otherwise affiliated with the Firm or serve as an adviser to another investment adviser or family office, if such service does not present a material conflict of interest with the Firm. Currently, two General Partners of the Firm serve on the board of directors of companies that are unaffiliated with the Firm, one Special Advisor of the Firm serves as an adviser to the investment adviser that manages the endowment of a university, and one General Partner serves as an adviser to a family office. Compensation received by such General Partners for these activities does not constitute Other Fees.

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

The Firm has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 and which is predicated on the principle that the Firm owes a fiduciary duty to its clients. Accordingly, employees of the Firm must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of clients. Therefore, the Firm endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity. Generally, employees may sell or otherwise dispose of securities that are also held by the Partnerships on a pro-rata basis within approved trading windows, provided that the Partnership has sold or distributed at least 25% of its original position and that the transaction has been approved by the Chief Compliance Officer or his designate. In addition, employees must seek pre-approval from the Chief Compliance Officer or his designate before purchasing or selling securities of technology and healthcare companies or purchasing and selling interests in limited offerings. The Firm does not allow its employees to receive allocations of initial public offerings. The Firm's Code of Ethics is available for review and will be provided to any client upon request.

The Firm, its employees and/or a related entity will have an investment in each Partnership. For example, the general partner for each Partnership is 100% owned by the General Partners of the Firm and other professionals working for or associated with the Firm. In addition, the Firm and its General Partners will participate in each Partnership's investment program by agreeing to commit a certain percentage of such Partnership's total capital commitments or a certain amount as defined in such Partnership's governing documents. Therefore, the Firm, its employees and/or a related entity participate in each transaction effected for each Partnership.

The Firm may from time to time offer certain limited partners, strategic investors or other private equity funds the opportunity to co-invest in particular investments alongside of the applicable Partnership. In each case where co-investors participate in an investment, such co-investors will bear their pro rata share of any expenses associated with such investment and will not bear any

other Partnership expenses including broken deal expenses. In general, (i) no limited partner in a Partnership has a right to participate in any co-investment opportunity and is offered to co-invest at the sole discretion of the Firm, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the Firm, and (iii) strategic investors and other private equity funds may be offered co-investment opportunities, in the sole discretion of the Firm. Such co-investment vehicles typically do not pay advisory fees or allocate any carried interest to the Firm or any entity affiliated with the Firm.

## **Brokerage Practices**

The Firm focuses on making investments in private securities, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer and commissions are not ordinarily payable in connection with such investments. To the limited extent the Firm transacts in public securities, it intends to select brokers based upon the broker's ability to provide best execution for the Partnerships. The Firm is generally authorized to make the following determinations, subject to the Partnership's investment objectives and restrictions, without obtaining prior consent from the relevant Partnership or any of their investors: (i) which securities or other instruments to buy or sell; (ii) the total amount of securities or other instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the allocation of brokerage transactions for Partnerships, the Firm will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although the Firm generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

The Firm does not participate in any soft dollar arrangements outside of receiving research available to other institutional investors. Research services received from brokers and dealers are supplemental to the Firm's own research effort. To the best of the Firm's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. The Firm does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services due to the difficulty associated with the broker-dealers not breaking out the costs for such services.

## **Review of Accounts**

The Firm focuses on investments in private equity. All investments are carefully reviewed and approved by the Firm's Investment Review Committee which is comprised of every General Partner of WCAS. The progress of all portfolio companies is carefully monitored on a regular basis and is subject to the constant supervision and review by the Firm's investment professionals.

The Firm provides quarterly and annual reports to each limited partner and conducts a quarterly conference call to which the limited partners may dial-in. The quarterly reports include detailed Partnership financial statements and individual portfolio company summaries as well as investment memorandums describing the major events and valuation changes that occurred during the quarter with an overview of general market conditions. The annual report includes much of the information contained in the quarterly reports as well as a summary of annual performance data. The Firm also provides audited financial statements annually and holds an annual investor meeting as well as Limited Partnership Investment Review Committee meetings each year.

## **Client Referrals and Other Compensation**

During a fundraising cycle for a Partnership, the Firm has in the past and expects that it will in the future retain and compensate placement agents who introduce new investors that commit capital. The amount paid to placement agents ranges up to 2.00% of the capital raised, and all placement fees will be fully disclosed to investors referred by placement agents.

WCAS or its affiliates have in the past and may in the future receive Other Fees. A percentage of Other Fees received by WCAS or any of its affiliates may be applied to reduce the management fee otherwise payable, pursuant to the applicable Agreement of Limited Partnership. Also, a General Partner or other employee of the Firm who serves on the board of directors of a portfolio company may receive cash compensation, options and/or restricted stock in his capacity as a director. All compensation received by a General Partner or other employees of the Firm for service on a portfolio company's board of directors must be turned over to the Firm and is also applied as a creditable fee to reduce the management fee payable by limited partners.

## **Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks, however the Firm has access to client accounts since the Firm or an affiliate serves as the general partner of each Partnership. Limited partners of the Partnerships have appointed an independent accountant registered with the Public Company Accounting Oversight Board ("PCAOB") to receive statements from the custodian. The Firm has also appointed an independent accountant registered with the PCAOB to conduct a surprise securities count no less than annually at the Firm's qualified custodians. The Partnerships are subject to an annual audit and the audited financial statements are distributed to each limited partner (or member or owner). The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 90 days of a Partnership's fiscal year end.

## **Investment Discretion**

The Firm generally has discretionary authority to determine, without obtaining specific consent from the Partnership or its limited partners, the securities and amount to be bought or sold. Any limitations on authority are included in the Partnership's Agreement of Limited Partnership and other governing documents.

## **Voting Client Securities**

Most of the portfolio companies held by the Partnerships are private companies which typically

do not issue proxies. However, in the event proxies have to be voted, the Firm has adopted proxy voting policies and procedures, and shall be responsible for voting proxies on behalf of the Partnerships. The Firm shall vote client proxies in a way that it believes will maximize shareholder value. In exercising its voting discretion, the Firm and its employees will avoid any direct or indirect conflict of interest raised by such voting decision. The Firm will provide adequate disclosure to the applicable Partnership's Limited Partner Investment Review Committee if the Firm determines that any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential material conflict of interest to WCAS or any of its affiliates. A number of the Firm's investment professionals serve as board members for the Partnerships' portfolio companies. In situations where the Firm votes the proxy for a company in which a member of the Firm serves on the board of directors, the Firm has determined that it does not inherently present a conflict of interest as the purpose for serving on the board is to maximize the return on a Partnership's investment and to ensure that such Partnership's interests are protected.

A record of all proxy votes cast on behalf of the Partnerships is maintained and available for review. Limited partners should contact James Gaven for a copy of the proxy voting policy or information with respect to a specific proxy vote.

## **Financial Information**

Neither WCAS nor WCAS Management has ever filed for bankruptcy and the Firm is not aware of any financial condition that is expected to affect the Firm's ability to manage client accounts.