

INVESTMENT ADVISER BROCHURE

AVISTA CAPITAL HOLDINGS, L.P.

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March 27, 2020

This Investment Adviser Brochure (this “Brochure”) provides information about the qualifications and business practices of Avista Capital Holdings, L.P., a Delaware limited partnership (“Avista Capital Holdings”). If you have any questions about the contents of this Brochure, please contact us at 212-593-6900 or info@avistacap.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

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

TABLE OF CONTENTS

	<u>Page</u>
Material Changes	1
Advisory Business	2
Fees and Compensation.....	6
Performance-Based Fees and Side-By-Side Management	10
Types of Clients.....	10
Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Disciplinary Information.....	54
Other Financial Industry Activities and Affiliations.....	54
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	55
Brokerage Practices	56
Review of Accounts	58
Client Referrals and Other Compensation.....	58
Custody	59
Investment Discretion.....	59
Voting Client Securities.....	59
Financial Information.....	60
Supplemental Information About Certain Principals of Avista Capital Holdings.....	61

MATERIAL CHANGES

This Brochure contains material changes to the Form ADV Part 2 filed by Avista Capital Partners on March 28, 2019 (the “**Prior Brochure**”). Immediately below is a discussion of such material changes. Such discussion sets forth only material changes to the Prior Brochure.

This Brochure reflects updates to the descriptions of potential conflicts of interest and the business practices of the registrant and supplements existing disclosures relating to Avista Capital Holdings’ practices and related potential conflicts of interest under “Advisory Business”, “Fees and Compensation”, “Other Information”, “Performance-Based Fees and Side-By-Side Management”, “Types of Clients”, “Methods of Analysis, Investment Strategies and Risk of Loss”, “Other Financial Industry Activities and Affiliations”, “Code of Ethics, Participation of Interest in Client Transactions and Personal Trading”, “Brokerage Practices”, “Client Referrals and Other Compensation”, “Investment Discretion” and “Voting Client Securities”.

ADVISORY BUSINESS

Avista Capital Partners is a private investment management firm, including a registered investment advisory entity and other affiliated organizations affiliated with Avista Capital Holdings, L.P., a Delaware limited partnership (“**Avista Capital Holdings**” and, together with such affiliated organizations, collectively, “**Avista**”), that manages approximately \$2.8 billion in private fund assets.¹

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

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

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

¹ As of December 31, 2019.

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

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

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

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

- ACP Nycom Holdings, LLC, a Delaware limited liability company

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

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

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

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

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

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

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

- ACP III AIV, L.P., a Bermuda exempted limited partnership
- ACP III AIV GP, Ltd., a Bermuda limited company, is the general partner of Fund III AIV.

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

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

- ACP Tower Co-Invest, LLC, a Delaware limited liability company
- ACP Acrobat Co-Invest, LP, a Bermuda exempted limited partnership
- Orbit Co-Invest III LLC, a Delaware limited liability company

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

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

For the sake of clarity, unless otherwise indicated, references in this Brochure to “Fund IV” include each of the above-named private funds. While the substantial majority of the terms of each above named fund are the same, each of such funds was formed to suit the purposes of certain types of investors (*e.g.*, U.S. tax-exempt investors, non-U.S. investors, etc.) so there are

slight variations in structure and investment terms among the funds. Investors should refer to the private fund's Limited Partnership Agreement for specific terms with respect to that private fund.

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

- ACP Cure Offshore Co-Invest LLC, a Delaware limited liability company
- ACP Cure Onshore Co-Invest LLC, a Delaware limited liability company
- ACP Ulysses Co-Invest LLC, a Delaware limited liability company
- ACP Nimble Co-Invest, LLC, a Delaware limited liability company

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

- Avista Capital Partners V, L.P., a Delaware limited partnership ("**Onshore Fund V**")
- Avista Capital Partners (Offshore) V, L.P., a Bermuda exempted limited partnership ("**Offshore Fund V**")

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

AHP GP, a Bermuda exempted company, is the general partner of Avista Healthcare Partners, L.P. a Bermuda exempted limited partnership ("**Avista Healthcare**"):

References to "**Bermuda Funds**" include Avista Capital Partners (Offshore), L.P., Avista Capital Partners (Offshore) II, L.P., Avista Capital Partners (Offshore) II-A, L.P., Offshore Fund III, Offshore Fund III-A, Fund III AIV, Offshore Fund IV, Offshore Fund V and Avista Healthcare.

Avista Capital Holdings' advisory services for the Private Investment Funds are further detailed in the applicable private placement memoranda or other offering documents (each, a "**Private Placement Memorandum**" and, collectively, the "**Private Placement Memoranda**"), the applicable management agreements (each, a "**Management Agreement**" and, collectively, the "**Management Agreements**") and the Limited Partnership Agreements of the Funds and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Private Investment Funds participate in the overall investment program for the applicable fund, but in certain circumstances are excused from a particular investment due to

legal, regulatory or other agreed-upon circumstances pursuant to the relevant Limited Partnership Agreement: such arrangements generally do not and will not create an adviser-client relationship between Avista and any investor. The Funds and the General Partners have entered into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Limited Partnership Agreement with respect to such investors.

Additionally, from time to time, the Advisers may provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Advisers’ personnel and/or certain other persons associated with the Advisers and/or its affiliates (to the extent not prohibited by the applicable Limited Partnership Agreement). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Private Investment Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Fund) may purchase a portion of an investment from one or more Private Investment Funds after such Private Investment Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Private Investment Fund by a co-investor or co-invest vehicle generally occurs shortly after the Private Investment Fund’s completion of the investment to avoid any changes in valuation of the investment, and the co-investor or co-invest vehicle may be charged interest on the purchase to compensate the relevant Private Investment Fund for the holding period, and generally will be required to reimburse the relevant Private Investment Fund for related costs.

As of December 31, 2019, Avista Capital Holdings managed approximately \$2.8 billion in client assets on a discretionary basis. Avista Capital Holdings and each of the General Partners are controlled, directly or indirectly, by the principal owners of Avista Capital Holdings: Thompson Dean and David Burgstahler and, with respect to matters relating to Fund I, Fund II and Fund III, Steven A. Webster.

FEES AND COMPENSATION

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

Management Fees

All investors and prospective investors should review the Limited Partnership Agreement of the relevant Fund in conjunction with this Brochure for complete information on the fees and compensation payable with respect to a particular Fund. In certain circumstances, different Funds

are subject to different Management Fees and performance-based compensation arrangements. Avista reserves the right to exempt certain parties, including employees, affiliates and related parties from all or a portion of the Management Fee. In limited circumstances, the advisory fees payable to Avista by individual investors in the Funds may be negotiable. Investors and prospective investors in each Fund should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees. All clients are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), and therefore Avista has not included specific fee information in response to this Item.

Other Information

Avista is permitted to exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or Carried Interest (as defined below), including an Adviser and any other person designated by an Adviser, such as “friends and family” of Avista Capital Holdings or its personnel, or other investors meeting certain qualification requirements based on commitment size. The General Partners reserve the right to make any such exemption from Management Fees and/or Carried Interest by a direct exemption, a rebate by the Advisers and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where an Avista professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee and Carried Interest with respect to such Fund. Additionally, to the extent permitted by the relevant Limited Partnership Agreement, certain Advisers may have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or Carried Interest. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees may be significant. Due to waived or reduced Management Fees by Avista and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in a Fund, resulting in a net additional benefit to Avista. Avista retains flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor’s capital account(s).

The Funds generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Limited Partnership Agreements over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in the Funds.

Principals or other current or former employees of Avista may receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, Carried Interest or other compensation received by Avista or its affiliates.

In addition to the Management Fee and Carried Interest, the Funds bear certain expenses. As set forth in their Limited Partnership Agreements, the Funds bear all fees, costs, expenses, liabilities and obligations relating to the Fund’s (and its subsidiaries’ and intermediate entities’) activities, to the extent not paid by portfolio companies, including legal, accounting, accounting

software, administration, auditing, financing, appraisal, filing, investment banking, travel (including but not limited to airfare, which may include first class airfare and occasional chartered and private airplanes), printing, consulting, research, brokerage, finder's fees, custody, depositary, transfer, government and registration, insurance, advisory board, interest, taxes and other similar fees and expenses, including such fees and expenses, or other liabilities or obligations, incurred for transactions not consummated ("**Broken Deal Expenses**"), including Broken Deal Expenses relating to transactions that have been offered to co-investors. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of Avista Capital Holdings and/or its affiliates. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses (and/or transaction fees, monitoring fees or other compensation) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

The relevant General Partner also generally is permitted from time to time to establish Funds that are alternative investment vehicles in order to permit one or more investors to participate in certain particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Avista Capital Holdings' related policies and the relevant Limited Partnership Agreement(s) and/or Side Letter(s). Where a co-invest vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. If a proposed transaction in which a co-investment was planned is not consummated, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction would be borne by the Fund or Funds that were to have participated in such proposed transaction, and not by any potential co-investors. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle may bear its share of such Broken Deal Expenses. The appropriate allocation between the Funds and any other Private Investment Funds of any Broken Deal Expenses will be determined by Avista Capital Holdings in good faith.

In certain circumstances, one Fund may pay an expense or obligation common to multiple Funds (including without limitation legal expenses for a transaction in which all such

Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expenses or obligations, without interest. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. In certain circumstances, the relevant General Partner or an affiliate thereof is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

Avista Capital Holdings and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and Avista Capital Holdings and/or its affiliates on the other hand.

As a matter of practice, Avista is typically paid Portfolio Company Fees from, on behalf of or with respect to co-investors in an investment. The Management Fee payable by Fund II, Fund III and Fund IV generally is reduced by the full amount of Offset Fees (i.e., Portfolio Company Fees net of unreimbursed expenses) received by Avista with respect to portfolio companies in which such Funds are invested, regardless of the proportion of such portfolio companies that is owned by co-investors. However, Avista expects that Offset Fees payable by portfolio companies of future Funds will not fully reduce the Management Fee payable by such future Funds to the extent that co-investors also invest in any investments together with any such future Funds. As a result, Avista expects that any such future Funds would, in most cases, only benefit with respect to their respective allocable portions on a fully diluted basis of any such fees but not with respect to the portions of any fees that relate to any such co-investors' or potential co-investors' investments, which could be significant. Similarly, in certain circumstances, Avista expects that co-investors, lenders, consultants or other parties could negotiate the right to share a portion of such fees from a particular investment, and the above-described offset percentage would be applied after excluding any amounts paid to such persons. For the avoidance of doubt, Avista also will not offset compensation received from outside sources, such as residual employee board seats at entities that are no longer Fund portfolio companies.

As described more fully in the governing documents, Avista has relationships with certain senior professionals who provide certain key value-added services to the portfolio companies of the Funds (the "**Operating Partners**"). These Operating Partners are not employees of Avista, although in some cases are members or limited partners of the Advisers. Such Operating Partners receive compensation from Avista portfolio companies and such compensation will not result in offsets to the Management Fee. The Management Fee is further reduced in the circumstances and by the amounts described in the Limited Partnership Agreements. The Operating Partners generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Compensation payable to Operating Partners includes, but is not limited to, cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, incentive equity and stock awards, profits or equity

interests in one or more Funds or General Partners, remuneration from Avista and/or its Funds or affiliates, guaranteed minimums or other compensation, the amount of which typically are determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Operating Partners, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such company. Operating Partners also generally will be reimbursed for certain travel and other costs in connection with their services. Operating Partners are not subject to the restrictions on Avista persons such as conflicts of interest, priority of transaction opportunities, and formation of other vehicles. The use of Operating Partners subjects Avista to potential conflicts of interest, as discussed under “Conflicts of Interest” below.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The General Partners receive certain allocations from the Funds that are calculated and charged based on a share of capital gains on or net income (including interest payments from portfolio companies) from the assets of Funds. Such allocations have the potential to be disproportionate relative to the capital contribution that the General Partners make to the Funds. Such performance-based allocation arrangements comply with Rule 205-3 under the Advisers Act to the extent required thereunder. Any share of profits allocated or distributed to a General Partner is separate and distinct from the advisory fees charged by Avista Capital Holdings to a Fund for advisory services. All investors and prospective investors should review the Limited Partnership Agreement of the relevant Fund in conjunction with this Brochure for complete information on the fees and compensation payable with respect to a particular Fund.

Arrangements regarding performance-based allocations received by related persons of Avista Capital Holdings have the potential to create an incentive for Avista Capital Holdings to select investments that may be riskier or more speculative than those that would be selected under a different fee arrangement.

TYPES OF CLIENTS

Avista Capital Holdings provides investment advice solely to its clients, and references throughout this Brochure to “clients” and to Avista Capital Holdings’ related duties to and practices on behalf of its clients and/or investors should be construed accordingly. Private Investment Funds generally include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds generally include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, principals or other employees of Avista Capital Holdings and its affiliates and members of their families, Operating Partners or other service providers retained by Avista Capital Holdings.

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

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

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

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

Investment and Operating Strategy

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

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

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

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

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

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

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

Risks of Investment

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Investors should review each Fund's Private Placement Memoranda for information regarding risks specific to each Fund. In general, the risks involved with the Adviser's investment strategy and an investment in the Funds include, but are not limited to:

General Risk Factors

Business Risks. The Funds' investment portfolio will include securities and/or other interests issued by privately-held companies, and operating results in a specified period will be difficult to predict. In addition, it is expected that the Funds' investment portfolios will include companies in an early stage of development, which may not have a proven operating history, may face competition from companies with greater resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel, and may require substantial additional capital to support

their operations or to finance expansion. Accordingly, the growth of these companies may require significant time and effort resulting in a longer horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage.

It is also expected that the Funds' investment portfolios will also include securities issued by public companies, including formerly privately-held portfolio companies that have consummated IPOs during the Funds' holding period. Public companies may be subject to public reporting requirements that could have a significant impact on the valuation of their shares on any given trading day. See "*Investments in Public Companies*" below. The foregoing investments involve a higher degree of business and financial risk that can result in substantial or total losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made, including the risks of war, revolutions and the effects of terrorist attacks. The possibility of partial or total loss of capital will exist, and investors should not invest unless they can readily bear the consequences of such loss.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Funds and their portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Funds' portfolio companies.

Market Conditions. Any material change in the economic environment, including a slowdown in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. The Funds' performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Funds to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Fund to dispose of investments at prices that

the General Partners believe reflect the fair value of such investments. The impact of market and other economic events may also affect the Funds' ability to raise funding to support their investment objective.

Risks Associated with Unspecified Transactions. The Funds' investors will be relying on the ability of the General Partners and Avista Capital Holdings to locate and evaluate the investments to be made by the Funds. Such investors so not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the particular investments to be made by any Fund. In addition, the activity of identifying, completing and realizing private equity investments is highly competitive, involves a high degree of uncertainty, and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that Avista will be able to locate, or any Fund will be able to complete, portfolio investments that satisfy such Fund's rate of return objectives or, if completed, realize such investments for fair or attractive values or that such Fund will be able fully to invest its committed capital. Even if the investments of a Fund are successful, they may not produce a realized return to such Fund's investors for a number of years.

Lack of Sufficient Investment Opportunities. The business of identifying, completing, structuring and realizing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that one or more Funds will never be fully invested if enough sufficiently attractive investments are not identified. However, investors in any such Funds will be required to pay Management Fees for an extended period of time based partially on the entire amount of their respective commitments, even if such Fund is never fully invested. The availability of investments generally will be subject to market conditions, including perceptions of Avista Capital Holdings' ability to consummate transactions. In particular, in light of changes in such conditions certain types of investments may not be available to one or more Funds on terms that are as attractive as the terms on which opportunities were available to previous investment programs sponsored by Avista Capital Holdings. Moreover, Avista Capital Holdings expects competition among private equity firms to potentially increase. The Funds may be competing for investments with many other private equity investors, as well as companies, governments, public equity market participants, individuals, financial institutions and other investors. Additional investment funds with similar objectives as one or more Funds may be formed in the future by other unrelated parties. Further, there continues to be a significant amount of equity capital available for investment by such other investors. In such an environment, the sourcing and execution of transactions for the Funds, whether on a proprietary basis or otherwise, becomes more challenging. To the extent that one or more Funds encounters competition for investments, returns to the Funds' investors may decrease. Additionally, the Funds will incur bid, due diligence or other costs on investments that may not be successful. As a result, the Funds may not recover all of its costs, which would adversely affect returns.

Lack of Diversification. Subject to any applicable restrictions contained in the provisions of a Fund's Limited Partnership Agreement, while Avista has historically sought to balance investments across the healthcare industry, there is no assurance as to the degree of diversification that ultimately will be achieved among a Fund's investments.

Limited Number of Investments; Impact of Excuse or Exclusion. One or more Funds may ultimately make only a limited number of investments. In addition, investors' participation in

any Fund's investments may be limited by virtue of its General Partner's right to exclude an investor from, or an investor's right to be excused from, participating in certain of such Fund's investments as set forth in the Limited Partnership Agreement, thereby increasing the participation of other investors. As a consequence of one or more investors being excused or other factors limiting investments, the aggregate returns realized by the participating investors could be adversely affected in a material manner by the unfavorable performance of even one investment by a Fund. The performance of one or more substantial investments may have a significant impact on the overall performance of any given Fund.

Need for Follow-On Investments. Following its initial investment in a portfolio company, a Fund may have the opportunity to increase its investment in successful operations or may be asked to provide additional funds to such portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that any Fund will make follow-on investments or that any Fund will have sufficient available capital or capacity under any credit agreements to, or be permitted to, make such investments. Any decision not to make follow-on investments, or a Fund's inability to make them, may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made), may result in missed opportunities for any such Fund, or may result in the dilution of such Fund's investment if a third party invests in such portfolio company.

Conflicting Investor Interest. Limited partners may have conflicting investment, tax, and other interests with respect to their investments in the Funds, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the General Partners regarding an investment that may be more beneficial to one limited partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partners generally will consider the investment and tax objectives of the Funds and its limited partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

Dynamic Investment Strategy. The Funds are not restricted in terms of the percentage of their capital that can be invested in a particular industry and are only generally restricted as to geographic concentration. As a result, the Funds' investment portfolios could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the target amount, the Funds may invest in fewer portfolio companies and thus be less diversified. Many factors may contribute to changes in emphasis in the construction of any Fund's portfolio, including changes in market or economic conditions or regulation as they affect various industries and changes in the political or social situations in particular countries. There can be no assurance that the investment portfolio of any Fund will resemble the portfolio of any prior Avista fund. The Funds may modify the implementation of its investment strategies, investment process and/or investment techniques as compared to prior Funds based on market conditions, changes in personnel or as the General Partners otherwise determine appropriate subject to the terms of the Limited Partnership Agreements. The General Partners may pursue investments outside of the industries and sectors in which the Funds have previously made investments.

Reliance on Portfolio Company Management. The day-to-day operations of each portfolio company will be the responsibility of such portfolio company's management team. Although Avista Capital Holdings will be responsible for monitoring the performance of each investment and the Funds will generally intend to invest in companies operated by (or else put in place) strong management, there can be no assurance that a portfolio company's existing management team, or any successor team, will be able to operate such company in accordance with the Funds' expectations. In addition, the Funds may not always be the controlling shareholder in a portfolio company or represent a majority of its board of directors, and thus may exert less influence than a controlling shareholder.

Risks in Effecting Operating Improvements. In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of such Fund or the management of a portfolio company to restructure and implement improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of key personnel and disrupt normal business. There can be no assurance that any Fund will be able to successfully identify and implement such restructuring programs and improvements.

Reliance on Avista Investment Professionals. Control over the operation of the Funds will be vested with the General Partners, and the success of the Funds will depend in large part upon the skill and expertise of Avista professionals. Limited Partners will have no right to participate in the day-to-day operation of the Funds, including investment, structuring and disposition decisions and decisions regarding the operation of portfolio companies. Although Avista believes the success of the Funds is not dependent upon any individual, there can be no assurance that any individual professional will continue to be associated with the Funds. There can be no assurance that Avista personnel will not be solicited by and join competitors or other firms or that Avista will be able to hire and retain any new personnel or add to its roster of investment professionals. In the event of the death, disability, departure or reduction of service of any of such individuals, the business and the performance of the Fund may be adversely affected.

Risks Relating to Due Diligence of and Conduct at Portfolio Companies. Before making investments, the General Partners and Avista Capital Holdings will typically conduct such due diligence as they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the General Partners and Avista Capital Holdings may rely on the advice received from such third parties. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return of invested capital.

Uncertainty of Financial Projections. The Funds may use financial projections to help analyze a potential investment or future capital raises and financing for portfolio companies or other transactions. Projected operating results will often be based on management judgments, with adjustments to such projections made by the General Partners in their respective discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be attained, and actual results may vary significantly from the projections. Also, general economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

Expedited Transactions. Investment analyses and decisions by the General Partners and Avista Capital Holdings may often be undertaken on an expedited basis in order for the Funds to take advantage of investment opportunities. In such cases, information available to the General Partners and Avista Capital Holdings at the time of an investment decision may be limited, and the General Partners and Avista Capital Holdings may not have access to the detailed information necessary for a full evaluation of the investment opportunity.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, the General Partners will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the General Partners may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of Management Fee.

Illiquidity; Lack of Current Distributions. Most of the investments to be made by the Funds are likely to be illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on investment. Furthermore, the expenses of operating the Fund (including the Management Fee) may exceed its income, thereby requiring that the difference be paid from the Funds' capital, including unfunded commitments. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on the resale of investments by the Funds. Dispositions of investments by the Funds 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 that could be obtained upon any disposition thereof. Investments in publicly-traded companies held by the Funds may also be subject to legal, contractual, practical or applicable company policy restrictions on resale, including the possibility that the Funds will be in possession of material non-public information about the company and statutory volume limitations. In addition, the ability to exit an investment through the public markets (and the

terms of such exit) will depend on market conditions, and particularly the market for public offerings.

The Funds' investment program should be considered speculative, as there can be no assurance that Avista Capital Holdings' assessments of the short-term or long-term prospects of investments will generate a profit for the Funds' investors. In view of the fact that the Funds are only obligated to make distributions to the extent of distributable cash, if any, after taking into account reserves for future obligations, and may, subject to certain limitations set forth in the Limited Partnership Agreements, reinvest, rather than distribute, or otherwise recall certain proceeds from investments, if any, an investment in any Fund is not suitable for investors seeking current income for financial or tax planning purposes.

No Market for Interests in the Fund. Interests in the Fund may not generally be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the General Partner, and the volume of transfers permitted in any calendar year may be restricted in order to comply with certain safe harbors under the tax regulations promulgated under the Internal Revenue Code of 1986, as amended. Because interests in the Funds will not be registered under Federal or state securities laws they cannot be resold unless an exemption from registration is available. There is no public market for interests in the Funds and none is expected to develop. Therefore, each investor must consider its investment in the Funds to be illiquid, and must be prepared to bear the risks of owning an interest for an extended period of time. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Dilution from Subsequent Closings. Investors subscribing for interests in any Fund at subsequent closings or that increase their respective capital commitments to any Fund generally will participate in existing investments of the Fund, thereby diluting the interest of existing Limited Partners in such investment (as described more fully in each Fund's Private Placement Memorandum). Although such investors generally will contribute their pro rata share of capital previously called by the applicable Fund, there can be no assurance that this contribution will reflect the fair value of such Fund's existing investments at the time such investors subscribe for interests in such Fund or increase their respective capital commitments to such Fund.

Recycling/Reinvestment. In addition to having the right to recall distributions previously made to the Funds' investors (subject to certain limitations set forth in each Fund's Limited Partnership Agreement), as described in such Fund's Private Placement Memorandum, certain Funds' General Partners may also during such Funds' commitment period generally recall capital in certain circumstances. Accordingly, during the term of any such Fund, such Fund's investors may be required to make capital contributions in excess of their respective capital commitments and, to the extent such recalled or retained amounts are reinvested in investments, any such investor will remain subject to investment and other risks associated with such investments.

Borrowing; Portfolio Company Leverage. The Funds may make investments, either through leveraged buyouts or otherwise, in portfolio companies that have a leveraged capital structure. Such use of leverage generally magnifies both a Fund's opportunity for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted

by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. In addition, the leveraged capital structure of portfolio companies will increase the exposure of a 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 that such a company is unable to generate sufficient cash flow to timely meet principal and interest payments on its indebtedness, the value of the applicable Fund's investment in such portfolio company could be significantly reduced or even eliminated, in turn affecting Fund returns.

Additionally, the Funds generally are authorized to borrow funds, from time to time, for investment or other specific business purposes and to provide guarantees of or other credit support for the obligations of third parties, subject to certain limitations provided in the applicable Limited Partnership Agreements. Such borrowing may be used, for among other purposes, to purchase portfolio investments as they become available in advance of the receipt of anticipated funds from capital contributions or otherwise when capital contributions are not available. As security for such borrowing, guarantees or other credit support, such Funds may grant liens on any of the Funds' respective assets to the lender or other counterparty, which assets may not necessarily be limited to a single portfolio investment. Such lender or other counterparty would, accordingly, have a claim that has priority over any claim by such Fund's investors to such assets in an insolvency event or proceeding. In addition, to support borrowing, each of such Fund and its General Partner, as applicable, will have the right, at its option, to pledge all or a portion of uncalled capital commitments, the right of such General Partner to deliver notices to such investors demanding capital contributions and to enforce all remedies pursuant to the applicable Limited Partnership Agreement in accordance with the terms thereof against defaulting investors, and any account into which such capital contributions are made; provided, that no such investor will be obligated to pledge its interest in such Fund. Although borrowings by a Fund may enhance overall returns, they may further diminish returns (or increase losses) to the extent overall returns are less than the Fund's cost of funds. The Funds may incur leverage on a joint and several basis with one or more other parallel Funds and may have a right of contribution, subrogation or reimbursement from or against such entities.

Monetary Policy and Governmental Intervention. In response to the global financial crisis in 2008, the Board of Governors of the Federal Reserve System (the "**Federal Reserve**") and global central banks, including the European Central Bank, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. These and other actions by the Federal Reserve and other central bankers, including changes in policies, may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the Funds' investments on an absolute and/or relative basis. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the global financial crisis have not been fully implemented in all cases and therefore the ultimate effects thereof are difficult to predict or measure with certainty. More recently, in response to interagency guidance on leveraged lending

by the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation intended to curtail certain leveraged lending to market participants such as private equity firms in connection with their investment activities, private equity funds may need to finance portfolio investments with a greater proportion of equity relative to prior periods and the terms of debt financing may be less flexible for borrowers compared to prior periods. These developments may impair the Funds' ability to consummate transactions and/or cause the Funds to enter into transactions on less favorable terms, including exits and other dispositions as certain loan terms may no longer be available to potential buyers.

Non-U.S. Investments Generally. The Funds may invest in the securities of issuers located outside of the U.S., including up to 33% of the aggregate capital commitments in portfolio companies that conduct substantially all of their operations outside of North America and Canada. Non-U.S. securities, including certain securities issued in Canada, involve certain factors not typically associated with investing in U.S. securities, including, but not limited to, risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Funds' non-U.S. investments are denominated, and costs associated with conversion of investment capital and income from one currency into another and/or the repatriation of capital from such jurisdictions (see "*Non-U.S. Currency Risks*" below); (ii) inflation matters, including rapid fluctuations in inflation rates; (iii) differences between the U.S. and many non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and the potential of less government supervision and regulation; (iv) economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; and (v) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities. In addition, laws and regulations of non-U.S. countries may impose restrictions that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S. Non-U.S. countries also may impose taxes on the Funds and/or the Funds' investors. The General Partners intend to analyze risks in the applicable non-U.S. countries before making such investments, but no assurance can be given that a change in political or economic climate, or particular legal or regulatory risks, including changes in regulations regarding non-U.S. ownership of assets or repatriation of funds or changes in taxation, will not adversely affect the Funds, the Funds' investors or an investment by the Funds.

Non-U.S. Currency Risks. Although many of the Funds' investments are expected to be U.S. dollar denominated, the Funds' investments that are denominated in non-U.S. currencies are subject to the risk that the value of a particular currency will change in relation to one or more other currencies, including the U.S. dollar, the currency in which the books of the Funds are kept and contributions and distributions generally will be made. Among the factors that may affect currency values are trade balances between nations, the level of short-term interest rates, differences in relative value of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Funds may incur costs in converting investment proceeds from one currency to another. Avista Capital Holdings may, but it is under no obligation to, employ hedging techniques to manage exposure, although there can

be no assurance that such strategies will be effective (see “*Hedging Policies/Risks*” below). Non-U.S. prospective investors should note that interests in the Funds are denominated in U.S. dollars. Fund investors in any country in which U.S. dollars are not the local currency should note that changes in value of foreign exchange between the U.S. and such currency may have an adverse effect on the value, price or income of the investment to such prospective investors. There may be foreign exchange regulations applicable to investments in non-U.S. currencies in certain jurisdictions.

Hedging Policies/Risks. In connection with certain portfolio investments, the Funds may (but are not obligated to) employ hedging techniques designed to reduce the risks of adverse movements in commodity prices, interest rates and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks and costs. Therefore, while the a Fund may benefit from the use of these hedging mechanisms, unanticipated changes in commodity prices, interest rates or currency exchange rates may result in a weaker overall performance for such Fund than if it had not entered into such hedging transactions. Further, there may be circumstances where a Fund elects not to employ hedging techniques. In such circumstances, the lack of a hedge may permit such Fund to take advantage of favorable movements in commodity prices, interest rates and currency exchange rates but may expose such Fund to risks of adverse commodity price, interest rate or currency exchange rate movements. The Funds may incur costs related to hedging arrangements, which may be undertaken in exchange-traded or over-the-counter (“**OTC**”) contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty’s inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for a General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (“**CFTC**”) or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

Investments in Public Companies. Certain Funds may invest in public companies (subject to restrictions set forth in the Limited Partnership Agreements) or take private portfolio companies. Investments in public companies may subject such Funds to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, movements in the stock market and trends in the overall economy, greater volatility in the valuation of such companies, increased obligation to disclose information regarding such companies, limitations on the ability of such Funds to dispose of such securities at certain times (including due to the possession by the Fund of material non-public information, as discussed below under “*Material Non-Public Information*”), increased likelihood of shareholder litigation and insider trading allegations against such companies’ board members,

which may include Avista personnel, regulatory action by the SEC and increased costs associated with each of the aforementioned risks.

Limited Access to Information. Limited partners' rights to information regarding a Fund, the relevant General Partner or Avista Capital Holdings generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of Avista Capital Holdings' control. Decisions by Avista Capital Holdings or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor Avista Capital Holdings and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's advisory board generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and Avista Capital Holdings reserves the right to withhold certain information from investors subject to such laws for reasons relating to Avista Capital Holdings' public reputation, business strategy or other reasons.

Material Non-Public Information; Other Regulatory Restrictions. From time to time, Avista and its personnel may come into possession of confidential or material non-public information concerning specific companies, including as a result of certain Avista professionals serving on the boards of directors of portfolio companies. Under applicable securities laws, this may limit the General Partners' or Avista Capital Holdings' flexibility to buy or sell securities issued by such companies. The Fund's investment flexibility may be constrained as a consequence of the General Partners' or Avista Capital Holdings' inability to use such information for investment purposes. Avista Capital Holdings has policies and procedures in place that are intended to prevent the misuse of material non-public information by Avista personnel, although there can be no assurance that such misuse will never take place.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Avista Capital Holdings or the funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust

remedies relating to one Fund's acquisition of a portfolio company may require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of Avista Capital Holdings' inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by Avista Capital Holding or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

Debt Investments in Portfolio Companies. Certain Funds may, in certain circumstances, make investments in debt instruments or convertible debt securities, including in connection with investments in equity or equity-related securities and debt investments that have an expected return comparable to equity or equity-related securities. Such debt may be unsecured or structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness and there is no minimum credit rating for such debt investments. Other factors may materially and adversely affect the market price and yield of such debt investments, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions.

Regulation and Enforcement; Litigation. In the ordinary course of its business, the Funds may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Funds and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partners' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation. The growth of the private equity industry, and the increasing size and reach of transactions, has prompted additional governmental and public attention to the industry and its practices. The portfolio companies of Avista are subject to the antitrust and competition rules that apply in those countries or regions in which they do business. Failure to comply with those rules could expose the infringing company to sanctions or penalties including fines and civil damage actions. In some situations, private equity sponsors could be held jointly and severally liable for any sanctions or penalties imposed on a current or previously-owned portfolio company for breach of the applicable antitrust rules. In recent years, there have been governmental investigations and lawsuits over whether certain club deals or consortium bids constituted an illegal attempt to collude and drive down the prices of acquisitions. Consortium bids are deals in which two or more unaffiliated entities either provide equity financing or divide the target business being acquired. These transactions can range in size from the large private equity club deals in which the target remains intact to much smaller deals in which a target is broken up and sold to multiple strategic buyers. Private equity firms that engage in potentially anti-competitive practices in an otherwise permissible and lawful club deal could be liable for monetary damages to former shareholders of target companies and be subject to U.S. Department of Justice investigation and civil and criminal prosecution.

resulting in fines. The Antitrust Division of the U.S. Department of Justice has previously issued information requests relating to private equity transactions among multiple fund sponsors and in 2014, several fund sponsors settled claims that they had conspired to not bid against each other on eight large “take-private” buyouts that occurred prior to the global financial crisis. There can be no assurance that the Funds will not be subject to third-party litigation and/or investigations involving consortium bids.

Additional regulation could also increase the risks of third-party litigation. The transactional nature of the business of the Fund exposes the Funds, the General Partners and Avista Capital Holdings generally to this risk of third-party litigation. Avista and its related affiliates have been subject, historically, to such litigation. Under the Limited Partnership Agreements, the Funds will generally be responsible for indemnifying the General Partners, Avista Capital Holdings and related parties for costs they may incur with respect to such litigation not covered by insurance.

Control Person Liability. The Funds may not always be the controlling shareholder in a portfolio company. However, it is expected that the Funds will have controlling interests in certain of its portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any of the portfolio company’s facilities or operations, the Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. If any such liabilities were to arise, certain Funds might suffer significant losses. While the General Partners intend to manage the Funds in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Funds and its affiliates cannot be precluded. In addition, it is expected that professionals of Avista will serve as directors of certain of the portfolio companies, including public companies, and as such, may have duties to persons other than the Fund.

Unfunded Pension Liabilities of 80%-Owned Portfolio Companies. Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Funds intend to manage their investments in a manner that will minimize any such exposure, certain Funds may, from time to time, own an 80% or greater interest in a portfolio company that has unfunded pension fund liabilities. If a Fund (or other 80%-owned portfolio companies of a Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of such Fund and the companies in which such Fund invests 80% or more of the equity.

Lack of Unilateral Control. Even if it is the majority investor or the controlling shareholder in certain circumstances, a Fund may not have unilateral control of all of its portfolio companies. In addition, the Funds may make minority equity investments in portfolio companies where there is the possibility that the portfolio companies may be controlled or influenced by

persons who have economic or business interests or goals or tax or other considerations that differ from or are inconsistent with those of the Funds or their investors or may be in a position to take action contrary to the Funds' business, tax or other interests, and the Funds may not be in a position to limit such contrary actions or otherwise protect the value of the Funds' investment. When taking non-control positions, the Funds will generally seek to obtain negative controls and veto rights on major decisions, but it may be more difficult for the Funds to liquidate its interests than it would be had the Funds owned a controlling interest in such company. Even if the Funds has contractual rights to seek liquidity of the Funds' minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Funds, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

Adequacy and Availability of Insurance. While the Funds may seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. In addition, certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the Funds' profitability. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance. As a result, it is unlikely that any of the Funds' investments will be insured against damages attributable to acts of terrorism.

Absence of Regulatory Oversight. While the Funds may be considered similar in some ways to investment companies, they are not registered and do not intend to register as investment companies under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and, accordingly, investors will not be accorded the protections of the Investment Company Act. The Fund is also expected generally to be operated such that the assets of the Fund are not "plan assets" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), so that neither the General Partners nor Avista Capital Holdings would be expected to be subject to the heightened fiduciary standards and regulations imposed by ERISA. In addition, interests in the Funds have not been and will not be registered under the laws of any jurisdiction (including the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "**Securities Act**"), the laws of any state of the United States, or the laws of any non-U.S. jurisdiction), and are being offered in reliance upon an exemption from such laws. These limited partner interests have not been recommended by any U.S. federal or state, or any non-U.S., securities commission or regulatory authority.

Possibility of Fraud or Other Misconduct of Employees and Service Providers. Misconduct by employees of the General Partners, Avista Capital Holdings, portfolio company officers or employees, service providers to the foregoing and/or their respective affiliates could

cause significant losses to the Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects or future marketing activities, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to the Funds. Avista Capital Holdings has controls and procedures through which it seeks to minimize the risk of such misconduct occurring. However, no assurances can be given that the General Partners or Avista Capital Holdings will be able to identify or prevent such misconduct.

Indemnification. The Funds will be required to indemnify, among others, the General Partners, Avista Capital Holdings and Avista and their respective officers, directors, employees, members, shareholders and partners, each member of the Funds' advisory committees and their respective related investors. Additionally, such parties shall be entitled to exculpation by the Funds. Such liabilities may be material and have an adverse effect on the returns to the Funds' investors. For example, in their capacity as directors of portfolio companies, certain professionals of Avista may be subject to derivative or other similar claims brought by security holders of such companies or claims brought by counterparties to transactions. The indemnification obligation of the applicable Fund would be payable from the assets of such Fund, including the unpaid capital commitments of such Fund's investors. Additionally, the General Partners may recall distributions previously made to the Funds' investors, subject to certain limitations set forth in the applicable Limited Partnership Agreements. Furthermore, as a result of the exculpation provisions contained in the Limited Partnership Agreements, the Funds' investors may have a more limited right of action in certain cases than they would in the absence of such limitations. The General Partners may determine that the Funds will purchase insurance for the Funds, the General Partners, Avista Capital Holdings and their respective employees, professionals, agents and representatives with respect to claims against them in connection with the Funds, including as a result of serving on the board of directors of portfolio companies, although there can be no assurance that any such insurance will be sufficient, available to satisfy the specific claims that may arise or generally available on commercially reasonable terms.

Recourse to the Funds' Assets. The Funds' assets, including all investments made by the Funds and any capital held by the Funds, are available to satisfy all liabilities and other obligations of the Funds including indemnification of the General Partners, Avista Capital Holdings and others as provided in the Limited Partnership Agreements or certain other contractual counterparty arrangements. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to such Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability. Accordingly, a Fund's investors could find their interests in such Fund's assets adversely affected by a liability arising out of an investment in which they did not participate in the event that, for example, they were excluded or excused from such investment by such Fund's General Partner.

Risks Arising From Dispositions of Investments. In connection with the disposition of an investment, a Fund and its General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, for example, about the

business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible as a selling stockholder for certain contents of disclosure documents under applicable securities laws. Such Fund and its General Partner may also be required to indemnify the purchasers of such investments or underwriters of any offering to the extent that any such representations or disclosure documents are inaccurate. Such Fund's investors may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in such Fund's Limited Partnership Agreement.

Distributions in-Kind. Generally, there will be no readily available market for Fund investments, and hence, most of the Funds' investments will be difficult to value. Although, under normal circumstances, prior to termination of a Fund, such Fund intends to make distributions in cash or marketable securities, it is possible that under certain circumstances (including the winding-up of such Fund), distributions of securities for which there is no readily available public market and/or which may be subject to substantial restrictions on sale or transfer may be made in-kind. It may be difficult for such Fund's investors to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to investors in a Fund, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to such Fund's Limited Partnership Agreement, including the value used to determine the amount of carried interest available to such Fund's General Partner with respect to such investment.

Investments Longer than Term. A Fund may make investments that may not be advantageously disposed of prior to the date such Fund is dissolved, either by expiration of such Fund's term or otherwise, or such Fund's term may be extended to facilitate the wind-down of such Fund. Although the General Partners expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the General Partners have a limited ability to extend the term of any Fund and the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. To the extent that such investments are held in trust, the trust may incur operating and formation expenses. In addition, there can be no assurances with respect to the timeframe in which the winding-up and the final distribution of proceeds to such Fund's investors will occur.

Disclosure of Information. The Funds' investors are expected to include entities that are subject to public disclosure requirements, including state public records or similar freedom of information laws which may compel public disclosure of confidential information regarding the Fund, its investments and its investors. There has been a recent increase in the number of requests under such laws for contracts (including the Funds' Limited Partnership Agreements, subscription agreements and any Side Letters) that investors in private equity funds that are subject to such laws have in place with such private equity funds. The Funds may incur expenses in connection with responding to any such disclosure requests, even if the Funds ultimately succeed in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that the Funds' investors will have pursuant to the Funds' Limited Partnership Agreement to maintain the confidentiality of the Funds' information, there can be no

assurance that such information will not be disclosed either publicly or to regulators, law enforcement or otherwise. In addition, there can be no assurance that such information will not be disclosed by the Funds, the General Partners, Avista Capital Holdings, their affiliates and personnel, portfolio companies or services providers to any of them including, without limitation, to comply with laws, regulations or policies to which they are or may become subject. In addition, under the Dodd-Frank Act (as defined below), the SEC has authority to require private equity fund advisers, such as Avista Capital Holdings, to file additional reports with the SEC regarding their funds and investment activities. See “*The Dodd-Frank Act; Enhanced Scrutiny and Potential Regulation of the Private Equity Industry*” below. Any public disclosure of the Funds’ information could have an adverse effect on the Funds and their investors.

Capital Calls. The failure of any Fund’s investor to contribute any portion of its commitment on a timely basis may adversely affect such Fund’s access to capital and, among other things, the ability of such Fund to structure or consummate investments. The General Partner of any such Fund may, in addition to other actions, call additional capital contributions from other investors in order to cover the shortfall.

Default; Penalty for Failure to Make Capital Contribution. Any Fund investor that fails to make its capital contributions in a timely manner may suffer substantial penalties with respect to its interest in such Fund, including, without limitation, a forfeiture of such interest, reductions in its capital account balance and preclusion from further investment in such Fund. Such Fund’s General Partner retains sole discretion in whether to exercise the remedies against a defaulting investor and which remedy to pursue, and such General Partner may require the non-defaulting investors to contribute capital to make up for the shortfall created by such defaulting investor.

Use of Alternative Investment Vehicles. To the extent necessary to address legal, tax, regulatory, accounting or other similar considerations, the General Partners generally have the authority to structure the making of or restructure a portfolio investment or any portion thereof (or the holding thereof if after the initial consummation of such portfolio investment) outside of the Funds by requiring any or all of the Funds’ investors to make such investment directly or indirectly through one or more alternative investment vehicles. While the economic and other substantive provisions governing any alternative investment vehicles are intended to be materially the same as those of any such Fund taking into consideration the legal, tax, regulatory, accounting or other result intended to be achieved, the rights of the investors in, and the obligations and duties of such General Partner as manager of, the alternative investment vehicles may differ from those applicable to such Fund by virtue of the specific terms, or jurisdiction of establishment, of the alternative investment vehicles. In addition, the structural attributes of certain alternative investment vehicles may result in divergent return characteristics for certain investors. For example, a General Partner may elect to structure an alternative investment vehicle that may result in favorable tax treatment for one set of investors but less favorable tax attributes for another.

Side Letters. A Fund’s General Partner may enter into a Side Letter with a particular investor in connection with its admission to such Fund without the approval of any other investors, which would have the effect of establishing rights under or supplementing the terms of such Fund’s Limited Partnership Agreement with respect to such investor in a manner more favorable to such investor than those applicable to other investors and such rights may be

significant. Such rights or terms in any such Side Letter may include, without limitation, (i) excuse, exclusion or withdrawal rights applicable to particular investments or investors (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, certain investments); (ii) reporting obligations of such General Partner; (iii) waiver of certain confidentiality obligations; (iv) consent of such General Partner to certain transfers by such investor; or (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such investor. Investors may request to see such side letters and to obtain certain rights applicable to them under such letters subject to certain exceptions provided in such Fund's Limited Partnership Agreement.

United Kingdom ("UK") Exit from the European Union (the "EU"). On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the EU ("**Brexit**"). After a number of iterations, the European Commission and the UK's negotiators reached agreement on the terms of the UK's withdrawal from the EU, and these terms have been approved by the UK and EU Parliaments. The UK formally left the EU on January 31, 2020 after which the UK entered the transition period specified in the withdrawal agreement, which is scheduled to end on December 31, 2020. During this period, it is expected that the majority of the existing EU rules will continue to apply in the UK.

The terms of UK's exit from the EU are still uncertain, including UK's access to the EU single market permitting the exchange of goods and services between the UK and the EU. The UK expects to agree a deal on a future relationship with the EU by the end of the transitional period but whether this is possible is subject to disagreement by leaders of certain EU member states.

The future application of EU-based legislation to the private fund industry in the UK will depend, among other things, on how the UK renegotiates its relationship with the EU. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK's exit from the EU may adversely affect both EU and UK-based businesses, including the Avista, the General Partners and Fund portfolio companies. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

Privacy and Data Protection Law Compliance Risk. The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations ("Privacy Laws") in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of Avista, the General Partners, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs

for the Avista, the General Partners, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include Avista, the General Partners, the Funds and/or their portfolio companies.

Public Health Emergencies; COVID-19. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

COVID-19

As of the date hereof, there is an ongoing outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization formally declared in March 2020 to constitute a global “pandemic.” This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and entities, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in the equity, credit and commodities markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 — and the resulting precipitous decline in economic and commercial activity across several of the world’s largest economies — on global economic

conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn or recession of indeterminate duration and severity, are possible. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained, it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic growth, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds' and their respective portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their respective portfolio companies and the Advisers may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

Industry Risks.

As part of its investment strategies, the Funds may make one or more portfolio investments in certain industry sectors described in the Private Placement Memoranda, including, but not limited to, the following sectors each of which may be subject to a variety of risks, not all of which can be foreseen or quantified:

Healthcare.

Healthcare and life sciences related companies are generally subject to greater governmental regulation than most other industries at the U.S. state and federal levels, and internationally. In recent years, both local and national governmental budgets have come under pressure to reduce spending and control healthcare costs, which could both adversely affect regulatory processes and public funding available for healthcare products, services and facilities. The healthcare industry is (or may become) (i) highly regulated at both the U.S. state and federal levels and internationally, (ii) subject to frequent regulatory change and (iii) certain segments may be highly dependent upon various government (or private) insurance reimbursement programs. While the Funds intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to the healthcare industry, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Funds invest. The healthcare industry has been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals are introduced from time to time, which, if adopted, could have a significant impact on the healthcare industry in general and/or on companies in which the Funds may invest.

Changes in governmental policies may have a material effect on the demand for or costs of certain products and services. A healthcare or life sciences related company must receive government approval before introducing new drugs and medical devices or procedures. This process may delay the introduction of these products and services to the marketplace, resulting in increased development costs, delayed cost recovery and loss of competitive advantage to the extent that rival companies have developed competing products or procedures, adversely affecting the company's revenues and profitability. Failure to obtain governmental approval of a key drug or device or other regulatory action could have a material adverse effect on the business of a portfolio company.

In March 2010, comprehensive healthcare reform legislation was enacted in the United States through the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or PPACA (collectively, the "**Health Care Reform Act**"). These laws are intended to increase health insurance coverage through individual and employer mandates, subsidies offered to lower income individuals, tax credits available to smaller employers and broadening of Medicaid eligibility. While expansion of access to health insurance may increase the demand for various healthcare products and services, other provisions of the Affordable Care Act could affect the Funds and their investments materially and adversely.

Among other things, the Affordable Care Act provides for an expansion of federal rights, new taxes on drug and device manufacturers, FDA licensing of “generic” versions of biologic products, and enhanced disclosure of financial relationships between drug makers and physicians. The Funds’ portfolio companies may be subject to or affected by such rights, taxes, licensing of “generics” and enhanced disclosures. In June 2012, the United States Supreme Court upheld the Constitutionality of the Affordable Care Act. The Supreme Court’s holding eliminated much of the uncertainty surrounding the Affordable Care Act; however, great uncertainty remains as to what effects the Affordable Care Act will have on the healthcare industry. Such effects could materially and adversely affect interests held by the Funds. Additionally, uncertainty still remains as to the political future of the Affordable Care Act. The United States Congress may withhold the funding necessary to implement provisions of the Affordable Care Act, or may attempt to replace the legislation with amended provisions or repeal it altogether. Moreover, the United States Department of Health and Human Services, the United States Department of Labor and the U.S. Department of the Treasury have issued or proposed regulations on a number of aspects of the Affordable Care Act, but final rules and interim guidance on key aspects of the legislation remain pending. Due to its complexity, the impact of the Affordable Care Act remains difficult to predict and is not yet fully known. Such uncertainty could have a destabilizing effect on the healthcare industry and negatively impact the Funds and their portfolio companies.

The research, development, preclinical and clinical trials, manufacturing, labeling, and marketing related to a healthcare industry company’s products are subject to an extensive regulatory approval process by the U.S. Food and Drug Administration (“FDA”) and other regulatory agencies in the United States and abroad. The process for obtaining FDA and other required regulatory approvals, including the required preclinical and clinical testing is very lengthy, costly, and uncertain. There can be no guarantee that, even after such time and expenditures, a portfolio company will be able to obtain the necessary regulatory approvals for clinical testing or for the manufacturing or marketing of any products or that the approved labeling will be sufficient for favorable marketing and promotional activities. If a portfolio company is unable to obtain these approvals in a timely fashion, or if after approval for marketing, a product is later shown to be ineffective or to have unacceptable side effects not discovered during testing, the portfolio company may experience significant adverse effects, which in turn, could negatively affect the performance of the Funds. Additionally, expansion of facilities by healthcare related providers is subject to “determinations of need” by the appropriate government authorities. This process not only increases the time and cost involved in these expansions, but also makes expansion plans uncertain, limiting the revenue and profitability growth potential of healthcare related facilities operators.

The healthcare industry spends heavily on research and development. Certain healthcare and life sciences related companies depend on the exclusive rights or patents for the products they develop and distribute. Patents have a limited duration and, upon expiration, other companies may market substantially similar “generic” products that are typically sold at a lower price than the patented product, causing the original developer of the product to lose market share and/or reduce the price charged for the product, resulting in lower profits for the original developer. As a result, the expiration of patents may adversely affect the profitability of these companies. The profitability of healthcare and life sciences related companies may also be affected, among other factors, by restrictions on government reimbursement for medical

expenses, rising or falling costs of medical products and services, pricing pressure, an increased emphasis on outpatient services, a limited product offering, industry innovation, changes in technologies and other market developments.

Research findings (e.g., regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation (together with patent expirations) may make any particular treatment, service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on the companies in which the Funds invest.

Since the products and services of healthcare and life sciences related companies affect the health and well-being of many individuals, these companies are especially susceptible to product liability lawsuits. The testing, manufacturing, marketing and sale of many of the products and technologies developed by healthcare companies inherently expose these companies to potential product liability risks. Many healthcare companies obtain limited product liability insurance and, furthermore, there can be no assurance that a health care company will be able to maintain its product liability insurance on reasonable terms or that any product liability insurance obtained will provide adequate coverage against potential liabilities.

Pharmaceutical products are subject to extensive and rigorous regulation by United States local, state and federal regulatory authorities and by comparable foreign regulatory bodies. Regulatory clearance of a product is limited to those disease states and conditions for which the product is useful, as demonstrated through clinical studies. Marketing or promoting a drug for an unapproved indication is prohibited. Furthermore, clearance of a pharmaceutical product for marketing for a specific indication may entail ongoing requirements or post-marketing studies. Prior to the grant of such marketing approvals by the FDA or corresponding regulatory authorities outside of the U.S., most pharmaceutical products must undergo extensive investigation and clinical trials to meet stringent safety and efficacy requirements. Also, the manufacturer of a pharmaceutical product and its manufacturing facilities are subject to approval, continual review and periodic inspections by the regulatory authorities. As a result, the frequency of product withdrawals is low. Nevertheless, there have been instances when discovery of previously unknown problems with a product, manufacturer or facility have resulted in temporary restrictions on the use or the manufacture of such product, including costly recalls or even withdrawal of the product from the market. Such events, whether voluntarily or mandated by a regulatory authority, typically result in an immediate reduction or discontinuation of revenues from the product worldwide. There can be no guarantee that the incidence of regulatory product removals will not occur, and if such an event were to occur, it would likely have a significant and adverse effect on the performance of a particular portfolio investment and could have a material adverse effect on the aggregate performance of the Funds.

Healthcare reform continues to be a significant factor in the profitability of companies in which the Funds may invest. The efforts to reform the healthcare delivery system in the U.S. and Europe has resulted in increased pressure on healthcare providers and other participants in the healthcare industry to reduce costs. These competitive forces place constraints on the levels of overall pricing, and thus could have a material adverse effect on profit margins for the portfolio companies in which the Funds invest.

Several governmental entities have enacted, are considering or may consider in the future, regulations that may impact the ability of businesses in the specialty materials and chemicals sectors to sell certain chemical products in certain geographic areas. For example, in December 2006, the European Union enacted a regulation known as REACH, which stands for Registration, Evaluation and Authorization of Chemicals. This regulation requires manufacturers, importers and consumers of certain chemicals manufactured in, or imported into, the European Union to register such chemicals and evaluate their potential impacts on human health and the environment. REACH and other similar regulatory programs may result in significant adverse market impacts on the affected chemical products. If a portfolio company fails to comply with REACH or other similar laws and regulations, it may be subject to penalties or other enforcement actions, including fines, injunctions, recalls or seizures, which would have an adverse effect on the Funds' financial condition, cash flows and profitability.

Certain target portfolio companies may produce hazardous chemicals that require care in handling and use that are subject to regulation by many U.S. and non-U.S. national, supra-national, state and local governmental authorities. In some circumstances, these authorities must approve products and manufacturing processes and facilities before a portfolio company may sell some of these chemicals. To obtain regulatory approval of certain new products, it must be demonstrated to the relevant authority that the product is safe for its intended uses and that such product is capable of being manufactured in compliance with current regulations. The process of seeking approvals can be costly, time consuming and subject to unanticipated and significant delays. Approvals may not be granted on a timely basis, or at all. Any delay in obtaining, or any failure to obtain or maintain these approvals would adversely affect a portfolio company's ability to introduce new products and to generate revenue from those products. New laws and regulations may be introduced in the future that could result in additional compliance costs, bans on product sales or use, seizures, confiscation, recall or monetary fines, any of which could prevent or inhibit the development, distribution or sale of products and could increase customers' efforts to find less hazardous substitutes for products.

In both the U.S. and foreign markets, sales of a healthcare product and its success will depend in part on the availability of reimbursement from third-party payors such as government health administration authorities, private health insurers, and other organizations. The levels of revenues and profitability of pharmaceutical companies may be affected by the continuing efforts of governmental and third-party payors to contain or reduce the costs of health care. Significant uncertainty exists as to the reimbursement status of newly approved health care products. There can be no assurance that a company's proposed products will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

The business and financial condition of medical companies will continue to be affected by the efforts of governmental and third-party payors to contain or reduce the cost of healthcare. In certain foreign markets pricing of medical products is subject to governmental control. In the United States there have been, and the General Partners expect that there will continue to be, a number of federal and state proposals to implement similar government price controls. In addition, managed care in the United States has increased and will continue to exert pressure on pricing. Although price reductions can lead to increases in overall product revenues due to

increases in unit volume sales, prices imposed by government also may reduce royalties due on sales of portfolio company products and services.

The Fund's portfolio companies are likely to face competition from other companies or products based on product efficacy and/or safety profiles, the timing and scope of regulatory approvals, availability of supply, marketing and sales capability, reimbursement coverage, price and patent position. Others may develop technologies, which are, or in the future may be, the basis for products that will directly compete with or reduce the commercial market opportunity for the Fund's portfolio companies. For example, competition from larger and better capitalized pharmaceutical companies and more established biotechnology companies may be intense and may increase over time. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with larger pharmaceutical and established biotechnology companies. Academic institutions, governmental agencies and other public and private research organizations also conduct research, seek patent protection and establish collaborative arrangements for clinical development and marketing, which can result in such competing products. These factors may materially adversely affect interests held by the Funds.

Communications.

The Funds may make investments in communications and companies. Communications companies are subject to changes in their businesses due to evolving levels of governmental regulation or deregulation as well as the development of communication technologies. Competitive pressures within the communications industry are intense and the securities of communications companies may be subject to significant price volatility. In addition, because the communications industry is subject to significant changes in technology, the companies that the Funds may invest in may face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete. Finally, while all companies may be susceptible to network security breaches, certain communications companies may be particular targets of hacking and potential theft of proprietary or consumer information or disruptions in service, which could have a material adverse effect on their businesses.

The media industry is regulated by the U.S. Federal Communications Commission ("FCC") and other regulatory bodies. Although certain FCC rulings have created attractive investment opportunities and fueled merger and acquisition activity within the media industry, there is no assurance that future FCC regulations, or regulations established by other regulatory bodies, will be favorable to the media industry. The companies in which the Funds may invest will be subject to regulation by the FCC and, in some cases, to other government regulation in the United States and elsewhere. The products or services of such companies are dependent upon obtaining regulatory clearances and approvals in various jurisdictions. The process of obtaining these approvals can be lengthy, expensive and uncertain, and there is no assurance that these approvals will be obtained. Failure to obtain these approvals could have a significant adverse effect on a company's performance or the ability of the Funds to dispose of their investments in the company at an attractive time or price.

Energy (Fund I, Fund II and Fund III)

Energy Services and Energy and Natural Resources Industries Risks. Investments in the energy and energy services sectors by Fund I, Fund II or Fund III may be subject to a variety of risks including, but not limited to: (i) the risk that the technology employed in an energy project will not be effective or efficient; (ii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry; (iii) environmental liability risks related to energy properties and projects; (iv) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contract or fuel contract prices, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage (if any), inability to obtain desirable amounts of insurance at economic rates and acts of God or other catastrophes; and (v) the risk of changes in values of companies in the energy sector whose operations are affected by changes in prices and supplies of energy fuels (prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics, political instability, armed conflicts, energy conservation, the success of exploration projects, the tax and other regulatory policies of various governments, and the economic growth of countries that are large consumers of energy, as well as other factors). Moreover, certain of such investments may be in energy companies operating outside of North America and the European Union. Significant oil and gas deposits are located in emerging markets countries where corruption and security may raise significant risks, in addition to the other risks of investing in emerging markets. Additionally, investments in the energy and energy services sectors are subject to force majeure and other catastrophic events, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects.

Investments in the energy industry often require extensive due diligence activities prior to acquisition, including feasibility and technical studies, preliminary engineering costs and marketing studies, environmental review and legal costs, all of which could result in substantial expenses. In the event that an investment is not consummated, it is possible that all of the Broken Deal expenses relating to such investments will be borne by the Fund that had proposed to make such investment, as described above under “Fees and Compensation”.

Individual asset investments in the energy industry and other related industries generally tend to be large due to the general nature and size of facilities and assets, including power plants, transmission lines, storage or distribution properties and related facilities and assets. The values for these assets can range significantly, and the Fund may acquire portfolios of assets that are not easily separated into individual asset acquisitions or dispositions. There are limited pools of capital available in the sector that can make such sizeable investments and limited numbers of market participants. As a result, the Fund may have to pursue alternative investment exit strategies that may not be typical of private equity funds in order to generate liquidity from certain of its investments, and there can be no assurance that the Fund will be able to dispose of certain of its investments on favorable terms, in a timely manner or at all.

Historically, technological changes in the energy sector have resulted in gradual incremental improvements with no disruptive technology impacts. However, there are currently a number of scientific research institutions (supported by governments, universities, and major

venture capital firms and corporations) seeking to develop disruptive technologies designed to reduce dependence upon large scale fossil fuel generation. In the event that a disruptive technology in the power generation sector is successfully developed and implemented, certain of the Fund's investments might be adversely affected.

Federal and State Legislation and Regulatory Initiatives Relating to Hydraulic Fracturing. Hydraulic fracturing is a practice that is used to stimulate production of hydrocarbons, particularly natural gas, from tight formations. Certain companies in which Fund I, Fund II and Fund III invest may routinely utilize hydraulic fracturing techniques in many of their natural gas well drilling and completion programs. The process involves the injection of water, sand and chemicals under pressure into the formation to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas commissions. However, the U.S. Environmental Protection Agency ("EPA") recently asserted federal regulatory authority over hydraulic fracturing involving diesel additives under the Safe Drinking Water Act's Underground Injection Control Program. The EPA has since produced new guidelines in connection with this program that may prompt certain states to adopt similar practices into their regulatory framework. At the same time, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, and a committee of the U.S. House of Representatives also conducted an investigation of hydraulic fracturing practices. Legislation has been introduced before Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. More recently, legislation has also been introduced before Congress that would ban hydraulic fracturing on federally owned, public lands. At the state level, Vermont and, more recently, New York have each banned hydraulic fracturing. In addition, some states have adopted, and other states are considering adopting, regulations that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations. For example, Pennsylvania, Colorado, and Wyoming have each adopted a variety of well construction, set back, and disclosure regulations limiting how fracturing can be performed and requiring various degrees of chemical disclosure. Moreover, residents of certain California and Colorado municipalities recently voted in favor of (i) extending certain moratoriums banning hydraulic fracturing (Boulder), (ii) banning hydraulic fracturing for a set period of time (although such ban was ultimately overturned in court) (Fort Collins), (iii) an amendment that bans hydraulic fracturing permanently (Lafayette), and (iv) an ordinance that bans hydraulic fracturing permanently (Beverly Hills), in each case as such conduct takes place solely in such municipality. Likewise, in November 2012, voters in Longmont, another Colorado municipality, successfully banned hydraulic fracturing within such municipality's limits which in turn provoked two lawsuits, both of which were ultimately dropped. More recently, in November 2014, voters in Denton, a Texas municipality, successfully banned hydraulic fracturing within such municipality's limits which resulted in two separate lawsuits that have yet to be resolved. Although certain of such bans have been challenged and/or remain open to challenges (in light of, among other things, state law preemption considerations), the current effect is the prohibition of or significant uncertainty regarding hydraulic fracturing in such municipalities. If these municipal laws are not overturned (if challenged) or otherwise remain effective and/or if new laws or regulations that significantly restrict hydraulic fracturing are adopted, such laws could make it more difficult (if not impossible in the case of the municipality-level bans) or costly for companies in which the Fund invests to perform fracturing to stimulate production from tight formations. If such legislation is successfully upheld, it may spur similar efforts in other

jurisdictions. In addition, if hydraulic fracturing becomes regulated at the U.S. federal level as a result of U.S. federal legislation or regulatory initiatives by the EPA, fracturing activities by companies in which the Fund invests could become subject to additional permitting requirements, and also to attendant permitting delays and potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that portfolio companies are ultimately able to produce from their reserves

Regulatory Risk Factors

The Dodd-Frank Act; Enhanced Scrutiny and Potential Regulation of the Private Equity Industry. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”), which was enacted on July 21, 2010, significantly revises and expands the rulemaking, supervisory and enforcement authority of federal bank, securities and commodities regulators. It is unclear how these regulators will exercise these revised and expanded powers and the extent to which their rulemaking, supervisory or enforcement actions will adversely affect the Fund.

Avista Capital Holdings has registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “**Investment Advisers Act**”), due in part to the requirements of the Dodd-Frank Act. Among other obligations, the Dodd-Frank Act imposes increased recordkeeping and reporting obligations on Avista Capital Holdings with respect to the Funds. The recordkeeping and reporting provisions of the Dodd-Frank Act became effective on July 21, 2011. Records and reports relating to the Funds that must be maintained by Avista Capital Holdings and that are subject to inspection by the SEC include: (i) assets under management and use of leverage (including off-balance-sheet leverage); (ii) counterparty credit risk exposure; (iii) trading and investment positions; (iv) valuation policies and practices of the Fund; (v) type of assets held; (vi) side arrangements or side letters; (vii) trading practices; and (viii) such other information as the SEC, in consultation with the Financial Stability Oversight Council, determines is necessary and appropriate. While the Dodd-Frank Act subjects such records and reports to certain confidentiality provisions, and an exemption from the Freedom of Information Act is available in respect of such records and reports, no assurance can be given that the mandated disclosure of records or reports to the SEC or other governmental entities will not have a significant negative impact on the Funds, Avista Capital Holdings or any Investor. In addition, the new recordkeeping and reporting requirements and enhanced SEC scrutiny and audits may increase the Funds’ compliance, administrative and other operational costs.

The Dodd-Frank Act also establishes a general framework for systemic regulation. The full scope of such regime, and its application to investment advisers to private funds, such as Avista Capital Holdings, will remain unclear until all the implementing regulations are developed and enacted. There can be no assurance that future regulatory actions authorized by the Dodd-Frank Act will not adversely affect the Fund, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

A key feature of the Dodd-Frank Act is the extension of prudential regulation by the Federal Reserve to financial institutions that are not currently subject to such regulation but that potentially pose risk to the financial system. The Dodd-Frank Act defines a “nonbank financial company” as a company that is substantially engaged in activities that are financial in nature and

provides the Federal Reserve with the authority to determine which of such companies are “significant”. The Financial Stability Oversight Council (an interagency body created to monitor and address systemic risk) has the authority to subject such a company to regulation by the Federal Reserve (including capital, leverage and liquidity regulation) if the Financial Stability Oversight Council determines that material financial distress at the company would pose a threat to the financial stability of the United States. The Dodd-Frank Act does not contain any minimum size requirements for such a designation and it is possible that it could be applied to large private funds. While it may be some time until the Dodd-Frank Act reforms are broadly implemented and the direct and indirect impact of this legislation is fully understood, it is clear that most advisors to private equity funds, as well as most hedge funds and other private pools of capital, are affected. The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the private equity industry generally and on Avista or the Fund, specifically.

Alternative Investment Fund Managers Directive. The EU Alternative Investment Fund Managers Directive (the “AIFMD”) regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (“EEA”). In particular, the AIFMD potentially restricts the ability of the General Partners to market the limited partner interests in the Funds to investors domiciled or with a registered office in the EEA (“EEA Investors”). If the Fund or one or more of the Parallel Funds is actively marketed to investors domiciled or having their registered office in the EEA: (a) the Fund, or one or more of the Parallel Funds, may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund, or one or more of the Parallel Funds, incurring additional costs and expenses; (b) the Fund, one or more of the Parallel Funds and/or the General Partner or an affiliate may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in the Funds incurring additional costs and expenses or otherwise affect the management and operation of the Funds; (c) the General Partners, Avista Capital Holdings or an affiliate may be required to make detailed information relating to the Funds and their respective investments available to regulators and third parties; and (d) the AIFMD may also restrict certain activities of the Funds in relation to EEA portfolio companies including, in some circumstances, the Funds’ ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership, which may in turn affect operations of the Fund generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Funds to raise the targeted amount of commitments.

The General Partners or their affiliates may provide Private Placement Memoranda and other information regarding the Funds and the limited partner interests therein to EEA Investors who have contacted the General Partners, their affiliates or their placement agent at the EEA Investor’s own initiative to request such information. Where information is provided in response to an own-initiative request by a prospective EEA Investor, such EEA Investor will not benefit from any protections or rights under the AIFMD in respect of any resulting subscription for limited partner interests in the Funds.

Pay-to-Play Laws, Regulations and Policies. A number of states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict

or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If Avista Capital Holdings, the General Partners, any of their employees or affiliates or any service provider acting on their behalf, fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on the Funds. Investors may also seek to pursue individual remedies, including withdrawal rights, which may be included in side letters or otherwise imposed by statute.

Risks Arising from Providing Managerial Assistance. As described in more detail in the Funds' Private Placement Memoranda, the General Partners of certain Funds will use their reasonable best efforts to conduct the affairs of such Funds so that its assets should not constitute "plan assets" under ERISA, whether by causing the Fund to comply with the "venture capital operating company" exception (the "**VCOC exception**"), or by limiting the total value of each class of interests in the Fund held by "benefit plan investors" (as defined in Section 3(42) of ERISA) to less than 25% or by relying on another available exception. Reliance on the VCOC exception would require that such Funds obtain rights to participate substantially in, and to influence substantially the conduct of, the management of the majority (valued at cost) of such Funds' portfolio companies. One way such Funds would likely demonstrate these management rights would be to designate directors to serve on the boards of directors of portfolio companies. The designation of directors and other measures contemplated could expose the assets of such Funds to claims by a portfolio company, its security holders and its creditors. In addition, in the event a Fund is operated as a VCOC, such Fund may be restricted or precluded from making certain investments or limited in structuring investments and it may be necessary for such Fund's General Partner to liquidate such Fund's investments at a disadvantageous time in order to avoid holding ERISA "plan assets", resulting in lower proceeds to such Fund than might have been the case had such Fund not been operated as a VCOC.

Anti-Corruption Law Considerations. Avista and the Funds are committed to complying with the aspects of the U.S. Foreign Corrupt Practices Act ("**FCPA**"), the Bribery Act ("**UKBA**") and other anti-corruption and anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the Funds may be adversely affected or miss out on opportunities because of its or Avista's unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for the Funds to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In particular, U.S. regulators recently have been focused on private equity firms and their compliance with the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. The UK government passed into law the UKBA in 2010. The UKBA criminalizes both the bribery of foreign public officials and commercial bribery. The UKBA also makes provision for a strict liability corporate offense of failing to prevent bribery committed by employees or third parties associated with a company. The corporate offense applies to any organization which carries on business or part of a business

in the UK. The corporate offense is subject to an affirmative defense which is engaged if a company can show that it had in place adequate procedures to prevent bribery committed on its behalf.

While Avista has developed and implemented policies and procedures designed to ensure strict compliance by Avista and its personnel with the FCPA and the UKBA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of Avista's policies and procedures, affiliates of portfolio companies, particularly in cases where the Funds or another Avista sponsored fund or vehicle does not control such portfolio company, may engage in activities that could result in FCPA and/or UKBA violations. Any determination that Avista has violated the FCPA, the UKBA or other applicable anti-corruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor confidence, any one of which could adversely affect Avista's business prospects and/or financial position, as well as the Funds' ability to achieve their investment objectives and/or conduct operations.

Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities. The United States, pursuant to the "Foreign Account Tax Compliance Act" or "FATCA" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the OECD has proposed a worldwide tax information exchange standard that is likely to be adopted by many countries for years after 2015. One or more of these information exchange regimes are likely to apply to the Funds and/or alternative investment vehicles, and may require the General Partners to collect and share with applicable taxing authorities information concerning investors (including identifying information and amounts of certain income allocable or distributable to them). In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United States, including dividends, interest, and, beginning on January 1, 2017, gross proceeds of a disposition of stock, unless an exception applies.

Conflicts of Interest

General. Avista and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account, and providing transaction-related, investment advisory, legal, management and other services to Private Investment Funds and portfolio companies. In the ordinary course of Avista conducting its activities, the interests of a Private Investment Fund likely will conflict with the interests of Avista, one or more other Private Investment Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, Avista will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

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

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

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

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

Creation of Other Investment Vehicles. Avista may in the future, except as expressly prohibited under the Limited Partnership Agreements, (i) market, organize, sponsor or act as general partner or manager or as the primary source for transactions for other pooled investment vehicles or accounts (including, without limitation, a SPAC Vehicle (defined below)) or funds whose investment objectives otherwise overlap in whole or in part with those of the Funds, (ii) restructure and monetize interests in Avista, or (iii) engage in other investment and business activities. There can be no assurance that circumstances may not arise in which Avista would sponsor other funds or engage in other businesses or engage in any of the other foregoing activities. Such activities may raise conflicts of interest for which the resolution may not be currently determinable.

In October 2016, Avista consummated the Initial Public Offering of Avista Healthcare Public Acquisition Corp. ("AHPAC"), a special purpose acquisition vehicle formed for the sole purpose of making an investment in a portfolio company in an amount that equals at least \$300 million (AHPAC, and any similar successor vehicle are each referred to herein as a "**SPAC Vehicle**"), a strategy that may not overlap with that of the Funds. Certain owners, employees and Operating Partners of Avista Capital Holdings and their respective affiliates invested in AHPAC.

Relationship with other Private Investment Funds. One or more of the General Partners and Avista Capital Holdings may manage a number of Private Investment Funds (including any SPAC Vehicle), in addition to the Funds, which may have investment objectives similar to those of the Funds. Without limitation, Avista principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. Avista's principals and Avista's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Avista principals expect from time to time to

control or manage generally have the potential to compete with companies acquired by a Fund. In addition, following the commitment period of any Fund, the Avista team reserves the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Subject to any limitations in the definitive agreements relating to the Funds and the other Private Investment Funds, allocation of available investment opportunities between the Funds and any other Private Investment Funds will be made by Avista Capital Holdings in its sole discretion. The appropriate allocation between the Funds and any Private Investment Funds of Broken Deal Expenses, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by Avista in good faith. Avista may allocate an investment opportunity to a SPAC Vehicle for the sole purpose of making an investment in an amount in excess of certain thresholds set forth in the applicable Private Placement Memoranda to the extent it determines in good faith that such investment opportunity is more appropriate for such SPAC Vehicle than for the Funds, taking into account the maturity of the target company, the potential for an initial public offering, and other similar considerations.

Subject to any relevant restrictions or other limitations contained in the applicable Limited Partnership Agreement, Avista will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Avista may be faced with a variety of potential conflicts of interest. Subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Avista or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses will not always be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on the number of investment vehicles managed by Avista receiving related benefits or proportionately in accordance with asset size.

From time to time, Avista Capital Holdings will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of Avista Capital Holdings, including without limitation a SPAC Vehicle. In such circumstances, it will allocate such opportunities among such Fund and such other Funds and other investment vehicles, including without limitation a SPAC Vehicle, in a manner consistent with the Funds' and such other vehicles respective Limited Partnership Agreements, and on a basis that it reasonably determines in good faith to be fair and equitable, taking into account such factors as the sourcing of the transaction, the nature of the investment focus of each fund (including, without limitation, the equity size of an investment), the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals, the maturity of the target company, the potential for the target company to hold an initial public offering, any requirements contained in the governing documents of such other funds and other considerations deemed relevant by Avista Capital Holdings in good faith. In determining which investment vehicles should participate in such investment opportunities, Avista Capital Holdings and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of Avista Capital Holdings in a portfolio company also have the potential to raise the risk of using assets of a client of Avista Capital Holdings to support positions taken by other clients of Avista Capital Holdings.

Avista Capital Holdings must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Avista Capital Holdings generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Limited Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives, strategies (including those set forth in the relevant Fund's Limited Partnership Agreement, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable regulatory considerations, life-cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund generally reserves the right to invest together with other Funds advised by an affiliated adviser of Avista in the manner set forth in the relevant Limited Partnership Agreements and Avista's policies and procedures. Avista will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with Avista's obligations and reserves the right to take into consideration factors such as those set forth above. Following such determination of allocation among Funds, Avista Capital Holdings will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and Avista Capital Holdings reserves the right to offer any such excess to one or more potential co-investors, including third parties, as determined by the Funds' Limited Partnership Agreements, Side Letters and Avista Capital Holdings' procedures regarding allocation. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the General Partners, in good faith, may not be in the best interests of the Funds or any individual limited partner. Avista Capital Holdings' procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; existences of a formal or informal strategic relationship with the prospective co-investor; Avista Capital Holdings' perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair Avista Capital Holdings' ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether Avista Capital Holdings believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds, and/or Avista. Although Avista Capital Holdings reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness will not be the sole determining factor considered by Avista Capital Holdings in identifying co-investors. Avista reserves the right to grant certain third-party investors the opportunity to evaluate

specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, Avista Capital Holdings' or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. When and to the extent that employees and related persons of Avista Capital Holdings and its affiliates make capital investments in or alongside certain Funds, Avista Capital Holdings and its affiliates are subject to potentially conflicting interests in connection with these investments. The allocation of co-investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. Additionally, from time to time, the Avista Capital Holdings and its affiliates may determine, for strategic or other reasons, to complete a co-investment by selling a portion of a Fund's interest in an investment to a co-investor or co-invest vehicle, generally shortly after a Fund's completion of its investment. Typically such a purchase will be made at cost and little or no interest may be charged on the purchase. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

In certain cases, Avista Capital Holdings will have opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Avista will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Investment opportunities may be appropriate for multiple Funds at the same, different or overlapping levels of a portfolio company's capital structure. In such circumstances, conflicts may arise in determining the terms of each such investment, particularly where certain Funds are intended to invest in different types of securities in a single portfolio company. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by Avista Capital Holdings in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio

company, Avista Capital Holdings expects to face a potential conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, Avista Capital Holdings expects to be subject to potential conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. Avista Capital Holdings intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism.

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

Investments by more than one client of Avista in a portfolio company may also raise the risk of using assets of a client of Avista to support positions taken by other clients of Avista. Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by Avista Capital Holdings or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Avista investors. When and to the extent that employees and related persons of Avista and its affiliates make capital investments in or alongside certain Funds, Avista and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Avista Capital Holdings' allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While Avista Capital Holdings will allocate investment opportunities in a manner that it believes is fair and equitable to its clients under the circumstances and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which Avista Capital Holdings expects be subject, discussed herein, did not exist.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Avista Capital Holdings and its affiliates from time to time express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

Although uncommon, Avista Capital Holdings reserves the right to from time to time to cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by Avista Capital Holdings, or co-investors or co-investment vehicles. Certain of such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' limited partnership agreements or otherwise in the sole discretion of Avista Capital Holdings, Avista Capital Holdings reserves the right to seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's advisory board) to such transactions. In certain circumstances, Avista Capital Holdings reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. Avista Capital Holdings intends that any such transactions be conducted in a manner that it believes to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Although Avista Capital Holdings generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund ultimately bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In such case, Avista Capital Holdings intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Fees and Expenses Allocation. Subject to any relevant restrictions or other limitations contained in the governing documents, Avista Capital Holdings will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, Avista Capital Holdings expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Avista Capital Holdings or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Avista Capital Holdings. The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment.

Carried Interest, Management Fees and Portfolio Company Fees. The capital contribution of the General Partners represents only a small portion of the Funds' capital. Each of the General Partner's carried interest is based substantially on the performance of the applicable Funds. This arrangement could be viewed as creating an incentive for the General Partners to select investments that are riskier or more speculative or to hold an investment longer than it would otherwise make in the absence of such performance-based compensation. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure creates an incentive to deploy capital when Avista may not otherwise have done so. Since the General Partners are permitted to retain certain Portfolio Company Fees (as described under "Fees and Compensation") in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions.

Avista and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of compensation generally will give rise to conflicts of interest between the Private Investment Funds, on the one hand, and Avista and/or its affiliates on the other hand. However, in determining the amount of any such transaction fees, Avista seeks to mitigate the potential for and the impact of any such conflict by seeking to set the amount at a level that it believes is reasonable and customary, by taking into account any similar transactions of which it is aware, as well as a variety of factors relating to the proposed transaction, including, without limitation, the complexity of the transaction, transaction structuring, the need for and the complexity and terms of any financing, the scope and time of services provided and other factors.

U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the Funds have held the asset which generated such gain for more than three years. This could reduce the after-tax returns of individuals associated with the Funds, Avista, or the General Partners who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the General Partners and their affiliates to incentivize, attract and retain individuals to perform services for the Funds. This could also create an incentive for the General Partners to cause the Funds to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

Operating Partners. In addition, as described above, portfolio companies typically pay certain fees to Operating Partners and other third party consultants (including consultants introduced or arranged by Avista and/or its affiliates that may regularly provide services to one or more portfolio companies), and such fees do not offset or reduce the Management Fees as described herein. From time to time, Operating Partners make use of Avista resources or otherwise may be associated with Avista. Avista and/or its affiliates have agreed, and expect to agree in the future, to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Although the use of Operating Partners and the allocation of compensation paid to them by the Adviser, its affiliates and/or the portfolio companies subject Avista and/or its affiliates to potential conflicts of interest, Avista believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Private Investment Fund(s)) that will result if the cost of the Operating Partner is lower than market rates for the services provided and/or if the quality of the services of the Operating Partner makes a greater contribution to the success of the portfolio company. Although Avista seeks to retain Operating Partners with a view to reducing costs to portfolio companies and, ultimately, the Private Investment Funds, a number of factors may result in limited or no cost savings from such retention. Avista also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Avista believes will align such persons' interests with those of the Private Investment Funds' limited partners.

Industry Relationships. Avista has developed many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include, but are not limited to, investment bankers, consultants, professional advisors (such as attorneys and accountants), private equity and venture capital investors, investors in the Funds, co-investors, current and former directors, officers and employees of current and former portfolio companies and former employees of Avista. Certain of such third parties may introduce investment opportunities to Avista, arrange for, or facilitate the financing of, the purchase or recapitalization of potential portfolio companies, introduce portfolio companies to potential acquisition or merger candidates, introduce Avista to potential buyers of portfolio company securities, facilitate the disposition of portfolio company securities, provide investment banking, consulting or advisory services to Avista, the Funds or portfolio companies; invest in Funds, co-invest in portfolio companies, or provide other significant business or investment services to Avista, the Funds, and portfolio companies. Such third parties may receive direct commercial compensation from a portfolio company, a Fund or Avista for providing these services, which compensation and services are intended to be on arm's length terms. Partners of Avista may obtain personal financial and other

services on an arm's length basis from banking institutions that also provide services to the funds and portfolio companies.

Side Letters. Avista has entered into Side Letters with certain investors in certain Funds, and expects that it will in the future enter into other Side Letters with investors in other Private Investment Funds, providing such investors with different or preferential rights or terms, including but not limited to different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Side Letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. Except where required by the governing documents, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more limited partners being excused or excluded, or from regulatory or other factors limiting their participation in investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

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

Other Conflicts. As a result of the Private Investment Funds' controlling interests in portfolio companies, Avista and/or its affiliates typically have the right to appoint portfolio company board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Avista and/or its affiliates. Such amounts will be in addition to any Management Fees or Carried Interest paid by a Private Investment Fund to Avista. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Avista or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Additionally, a portfolio company typically will reimburse Avista or service providers retained at Avista's discretion for expenses (including without limitation travel expenses of the type that may be borne by the Funds) incurred by Avista or such service providers in connection with its performance of services for such portfolio company. This subjects Avista and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Avista determines the amount of these reimbursements for such services in its own

discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Avista or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Avista generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include (i) Avista or a related person of Avista (including a portfolio company of such Fund), (ii) an entity with which Avista or its affiliates or current or former members of their personnel has a relationship or from which Avista or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Avista personnel are seconded, or from which Avista receives secondees, or (iii) certain limited partners or their affiliates. For example, Avista Capital Holdings expects be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects Avista to conflicts of interest, because although Avista selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Avista has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Avista, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Avista Capital Holdings), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Although Avista generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other other factors in retaining or recommending service providers. In certain circumstances where Avista commits or has committed to seek "market" or "arms-length" rates or terms, Avista will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. Consequently, Avista undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking relates specifically to the assets or services to which such rates or terms relate. Whether or not Avista has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost. Whether or not Avista has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Avista and/or its affiliates reserve the right to employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Avista and/or its affiliates; conversely, current or former personnel or executives of Avista and/or its affiliates from time to time serve in significant management roles at portfolio

companies or service providers recommended by Avista. Similarly, Avista, its affiliates and/or personnel maintain relationships with (and invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Avista and/or its affiliates, and/or the Funds or other investment vehicles they advise. Avista may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Avista information about markets and industries in which Avista operates (or is contemplating operations) or will provide other services that are beneficial to Avista or one or more other Funds. For example, Avista reserves the right to cause a Fund to make payments to investment banks and/or other intermediaries, all or a portion of which is for the purpose of generating future deal flow for such Fund; however, there can be no assurance that such payments will result in future deal flow, and in certain cases, future deal flow may inure to the benefit of another or a successor Fund rather than the Fund making the payment. Avista may have a conflict of interest in making such recommendations, in that Avista has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended will not always necessarily be the best available to the portfolio companies held by a Fund.

In certain circumstances, current or former Avista personnel are expected to serve in interim or part-time roles at a portfolio company, or may provide services to a portfolio company as a secondee or in similar capacities, whether or not while maintaining certain legacy economic arrangements, benefits, support services or indicia of employment at Avista. Under such arrangements, Avista and/or the relevant portfolio company may pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest, in that amounts paid by a portfolio company in connection with secondee relationships or to former employees generally will not result in additional offsets or reductions to the Management Fee. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold or when the position can be filled on a longer-term or permanent basis. Employees may or may not return to Avista at the end of such secondee arrangement.

Avista, its affiliates, and equity holders, officers, principals and employees of Avista and its affiliates reserve the right to buy or sell securities or other instruments that Avista has recommended to a Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to any restrictions in the Funds' partnership agreements and any policies and procedures set forth in Avista Capital Holdings' Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of any Fund. Employees and related

persons of Avista Capital Holdings have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expect to have additional potential conflicting interests in connection with these investments.

Additionally, Avista Capital Holdings, its personnel, affiliates or others designated by Avista Capital Holdings expect from time to time to receive compensation in the form of portfolio company securities. After any applicable offset provisions in the relevant Governing Documents are applied, typically based on the value of such securities at the time of disposition, although in Avista's discretion potentially based on the value thereof at the time of acquisition, Avista Capital Holdings and/or such other recipients will be permitted to retain such securities as supplemental fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or Avista Capital Holdings) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from that of the relevant Fund.

Any of these situations subjects Avista and/or its affiliates to potential conflicts of interest. Avista attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Avista's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among Private Investment Funds and other investment vehicles in a manner it believes to be fair and equitable to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, Avista will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Avista consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

DISCIPLINARY INFORMATION

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

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Avista Capital Holdings is affiliated with other Avista investment advisers, including General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to Avista Capital Holdings' registration in accordance with SEC guidance. registered with the SEC under the Advisers Act pursuant to Avista's registration in accordance with SEC guidance. These entities operate as a single advisory business together with Avista and serve as managers or general partners of Private Investment Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

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

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

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

Principals and employees of the Advisers and their affiliates generally are expected to directly or indirectly own an interest in Private Investment Funds, including the Fund or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as the Funds. Co-invest opportunities generally are also expected to be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company or through an intermediate entity in a portfolio company’s structure. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

The Advisers and their affiliates, principals and employees expect from time to time to carry on investment activities for their own account, for personal or employee investment

vehicles and, potentially, for family members, friends or others who do not invest in the Funds, as well as give advice and recommend securities to vehicles which differs from advice given to, or securities recommended or bought for the Funds even though their investment objectives are the same or similar.

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

BROKERAGE PRACTICES

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

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

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

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to

service all of the Advisers' Private Investment Funds. However, each and every research service will not be used for the benefit of each and every Private Investment Fund managed by the Advisers, and brokerage commissions paid by one Private Investment Fund are expected to be applied towards payment for research services that might not be used in the service of such Private Investment Fund. Research services will be shared among the Advisers and their affiliates.

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

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

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

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

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

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

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

In Avista's private company securities transactions on behalf of the Funds, Avista reserves the right to retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, Avista reserves the right to consider a wide variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although Avista generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds will not always pay the lowest commission or fee for such services.

REVIEW OF ACCOUNTS

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

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

CLIENT REFERRALS AND OTHER COMPENSATION

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

Avista Capital Holdings reserves the right from time to time to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential limited partner becoming a limited partner in a Fund or other Private Investment Fund. Any fees and expenses payable to any such placement agents will be borne by Avista Capital Holdings indirectly through an offset against the Management Fees under the governing documents. For Fund V, Avista Capital Holdings has retained UBS Securities LLC and Magenta Capital Services

Ltd. to solicit investors to invest in Fund V in exchange for fees ranging from 0.65% to 2.375% of commitments made by applicable investors.

CUSTODY

Avista Capital Holdings maintains custody of the Funds' assets held in each Fund's name with the following qualified custodians: JP Morgan Chase Bank NA, 500 Stanton Christiana Road, NCC1, Newark, Delaware, 19713 and Merrill Lynch, Pierce, Fenner, & Smith Incorporated, One Bryant Park, New York, NY 10036.

INVESTMENT DISCRETION

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

VOTING CLIENT SECURITIES

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

FINANCIAL INFORMATION

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

SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF AVISTA CAPITAL HOLDINGS

Thompson Dean

Educational Background and Business Experience

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

Disciplinary History

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

Other Business Activities

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

Additional Compensation

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

Supervision

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

David F. Burgstahler

Educational Background and Business Experience

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

Disciplinary History

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

Other Business Activities

Mr. Burgstahler serves on an investment committee of Somerset Indus Healthcare Fund II (“India Fund”), an investment fund that seeks to make growth equity investments in Indian healthcare and life sciences companies. The India Fund is targeting \$100 million of aggregate commitments from investors and expects to make growth equity investments of less than \$10 million each. Mr. Burgstahler is not engaged in any investment-related business outside his roles with Avista, the India Fund, and their respective affiliated investment advisers.

Additional Compensation

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

Supervision

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

Steven A. Webster

Educational Background and Business Experience

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

Disciplinary History

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

Other Business Activities

Mr. Webster is the Managing Partner and Chief Executive Officer of AEC Holdings, L.P. (SEC File No. 801-112267), an SEC-registered investment adviser formed by Mr. Webster and other former employees of the former Houston office of Avista Capital Holdings. Mr. Webster also serves on certain management and investment committees of JTS Fund Advisors, LLC (SEC File No. 802-107812), a federally exempt reporting adviser and exempt private fund adviser in the State of Texas, and certain of its affiliates. Please refer to those investment advisers' respective Form ADVs for additional information relating to those investment advisers. Mr. Webster is not engaged in any investment-related business outside of his roles with Avista, AEC Holdings, L.P., JTS Fund Advisors, LLC and their respective affiliated investment advisers.

Additional Compensation

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

Supervision

As an Investment Committee member of Fund I, Fund II and Fund III, Mr. Webster is responsible for assisting in implementing and overseeing the investment strategy of the clients of Avista with respect to Fund I, Fund II and Fund III.