

# **INVESTMENT ADVISER BROCHURE**

## **AVISTA CAPITAL HOLDINGS, L.P.**

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**March 30, 2023**

**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](mailto: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](http://www.adviserinfo.sec.gov).

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>Material Changes .....</b>	<b>1</b>
<b>Advisory Business .....</b>	<b>2</b>
<b>Fees and Compensation .....</b>	<b>6</b>
<b>Performance-Based Fees and Side-By-Side Management .....</b>	<b>12</b>
<b>Types of Clients .....</b>	<b>12</b>
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>12</b>
<b>Disciplinary Information .....</b>	<b>68</b>
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>68</b>
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>68</b>
<b>Brokerage Practices .....</b>	<b>69</b>
<b>Review of Accounts .....</b>	<b>71</b>
<b>Client Referrals and Other Compensation.....</b>	<b>72</b>
<b>Custody .....</b>	<b>72</b>
<b>Investment Discretion .....</b>	<b>72</b>
<b>Voting Client Securities .....</b>	<b>72</b>
<b>Financial Information.....</b>	<b>73</b>
<b>Supplemental Information About Certain Principals of Avista Capital Holdings.....</b>	<b>74</b>

## MATERIAL CHANGES

This Brochure contains material changes to the Form ADV Part 2 filed by Avista Capital Partners on March 29, 2022 (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’s practices under “**Advisory Business,**” “**Fees and Compensation,**” “**Performance-Based Fees and Side-By-Side Management,**” “**Methods of Analysis, Investment Strategies and Risk of Loss**” and “**Supplemental Information About Certain Principals of Avista Capital Holdings.**”

## 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 \$4.3 billion in private fund assets as of December 31, 2022.

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 II GP, LLC (“**ACP II GP**”), Avista Capital Partners IV GP, L.P. (“**ACP IV GP**”), Avista Capital Partners V GP, L.P. (“**ACP V GP**”), Avista Capital Partners VI GP, L.P. (“**ACP VI GP**”) and Avista Healthcare Partners GP, Ltd., (“**AHP GP**”), and together with ACP II GP, ACP IV GP, ACP V GP, ACP VI GP and any future affiliated general partner entities, 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 II, Fund IV, Fund V, Fund VI and Avista Healthcare, pursuant to the Management Agreements (defined below). (See below for a list of the funds comprising Fund II, Fund IV, Fund V and Fund VI funds; Fund II, Fund IV, Fund V, Fund VI 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**,” collectively, “**Limited Partnership Agreements**”). 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.

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 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”), 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.

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

- ACP Charger Co-Invest LLC, a Delaware limited liability company
- ACP Hyperdrive Co-Invest LLC, a Delaware limited liability company

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

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

For the sake of clarity, unless otherwise indicated, references in this Brochure to “Fund VI” 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 VI GP is the manager of the following co-investment fund (the “Fund VI Co-Investment Fund”), which was formed for the purpose of investing side-by-side with Fund VI in a certain portfolio company investment of Fund VI at the same time and on the same terms on a *pro rata* basis based on relative commitment sizes of Fund VI and the Fund VI Co-Investment Fund.

- ACP Canopy Co-Invest LLC, a Delaware limited liability company

AHP GP, a Bermuda exempted company, is the general partner of Avista Healthcare Partners, L.P. a Bermuda exempted limited partnership (“**Avista Healthcare**”). Avista Healthcare has two co-investment funds: (i) ACP Acrobat Co-Invest L.P., a Bermuda exempted limited partnership, which is managed by its general partner ACP III AIV GP, Ltd., a Bermuda limited company, and (ii) Orbit Co-Invest III LLC, a Delaware limited liability company, whose manager is Avista Capital Managing Member, LLC (collectively, the “**AHP Co-Investment Funds**”, and together with the Fund IV Co-Investment Funds, the Fund V Co-Investment Funds and the Fund VI Co-Investment Fund, the “**Avista Co-Investment Funds**”).

References to “**Bermuda Funds**” include Avista Capital Partners (Offshore) II, L.P., Avista Capital Partners (Offshore) II-A, L.P., Offshore Fund IV, Offshore Fund V, Offshore Fund VI 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 (generally referred to herein as “investors” or “limited partners”) 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 current or prospective 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, but in certain instances could be well after the Fund’s initial purchase, 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.

Avista has entered into a strategic relationship with two strategic investors (the “Strategic Investors”) in which each Strategic Investor has acquired a minority interest (each less than 20%) in Avista. In addition, the Strategic Investors have agreed to make significant capital commitments to Avista Capital Partners V, L.P. and Avista Healthcare Partners VI, L.P. and certain other investment vehicles sponsored by Avista. The Strategic Investors will not participate in the day-to-day management of Avista.

As of December 31, 2022, Avista Capital Holdings managed approximately \$4.3 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 II, 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. 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. Where the Limited Partnership Agreements calculate Management Fees based on the amount of commitments or the amount of investment contributions, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Limited Partnership Agreements. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

As is typically the case in private equity funds, Management Fees will be calculated and charged on a basis that generally is not based on the respective Fund’s then-current net asset value. Subject to the Limited Partnership Agreements, from the effective date of the relevant Fund until



a date specified (typically representing the earlier of the end of the Fund's defined investment period and the date the relevant general partner (or an affiliate thereof) first begins receiving or accruing management fees from a successor Fund) (the "**Stepdown Date**"), Management Fees generally will be calculated based on a percentage of the relevant Fund's aggregate commitments. After the Stepdown Date, Management Fees generally will be calculated based on the amount of investment contributions made by the relevant Fund that have not been realized or completely written off or permanently written down.

Under the Limited Partnership Agreements, where the fair market value of an investment exceeds the total amount of investment contributions relating to such investment, post-Stepdown Date Management Fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such unreturned investment contributions. However, where there has been a partial distribution, partial writedown or partial sale of an investment and the fair market value of such investment following such event exceeds the total amount of unreturned investment contributions relating to such investment, the Limited Partnership Agreements do not require Management Fees after the Stepdown Date to be reduced. For purposes of calculating the unreturned investment contributions, any return of investment contributions in connection with a recapitalization of any investment or a temporary write-down shall be disregarded, except to the extent that the fair market value of such investment (after giving effect to such recapitalization) is less than the capital contributions in respect of such investment.

As a result, the amount of Management Fees typically will not correspond with fluctuations in a Fund's net asset value, including following the investment period, and will not be reduced in connection with any write downs, except in the case of investments permanently written off or written down. Except where the Limited Partnership Agreements expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial distributions or partial sales of investments.

In many circumstances, the Management Fee base of such post-Stepdown Date Management Fees will include capitalized transaction-specific expenses of unrealized investments. Further, Management Fees typically will not be reimbursed or refunded under the Limited Partnership Agreements in the event of realizations, dispositions or partial write-downs that occur partway through the relevant calculation period.

The Limited Partnership Agreements set forth the full list of terms under which Management Fees will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified Management Fee rate in the Limited Partnership Agreements until they are reduced in the circumstances and on the date(s) specified therein.

## **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, Management Fees 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 are permitted to 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. As a general matter, Broken Deal Expenses and other expenses relating to the diligence or evaluation of a prospective investment are allocated among investors within a Fund regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. 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; the relative percentage of these expenses that are borne by various stakeholders (including the relevant Fund, any co-investors, portfolio company management and other persons) is expected to depend upon the level at which such expenses are charged or incurred. 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. To the extent holding or intermediate entities include one or more special purpose acquisition companies (“SPACs” or “SPAC Vehicles”), the relevant Fund(s) will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders’ equity or similar interests issued thereby that are not held directly or indirectly by the Fund, and except where prohibited by the governing documents, such interests are permitted to be issued to Avista and its personnel. The General Partner reserves the right to agree with operating partners, joint venture or similar partners, service providers, portfolio company management or other persons that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits interest granted in the relevant investments or related intermediate entities. While such an arrangement could be more favorable to the relevant Fund if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits interest generally would have a dilutive impact on the Fund’s investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation. Each Fund also generally will bear the costs of implementing, reporting (as applicable), monitoring and complying with investment guidelines and directives relating to the Fund’s strategy, including in Side Letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant General Partner has committed in making investments on behalf of the Fund. Additionally, subject to the applicable Limited Partnership Agreements, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests. 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 practices 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 where permitted by such vehicle's governing documents. 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. The Advisers' practice of allocating Broken Deal Expenses among investing Funds is discussed under "Conflicts of Interest," below. To the extent the Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

In certain circumstances, one Fund is expected to pay an expense or obligation common to multiple Funds and/or co-investors (including without limitation legal expenses for a transaction in which all such Funds and/or co-investors participate, or other fees or expenses in connection with services the benefit of which are received by other Funds and/or co-investors 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 and whether such fees should be structured in a way that economically impacts all of the owners of such portfolio company (i.e., the relevant Fund as well as portfolio company management, any co-investors and any other third-party owners) or solely the relevant Fund. In most circumstances, such compensation is not reviewed or approved by an independent third party. However, in determining the amount of any such transaction fees, Avista Capital Holdings 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. 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, as well as other fees relating to the structuring and administration of co-investment arrangements. The Management Fee payable by Fund II 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, Offset Fees payable by portfolio companies of Fund V, Fund VI and

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, Fund V, Fund VI and 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 include co-investment vehicles managed by Avista, third parties, portfolio company management or employees and/or others), which could be significant. Unless otherwise agreed with investors, such additional fees generally will be payable without further offset during term extensions, even if Management Fees are reduced or eliminated during the extended term, thus reducing the amounts of Management Fees actually offset. In certain circumstances, Avista expects that co-investors, lenders, consultants or other parties from time to time 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 does not offset or reduce 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, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits, participation or equity interest in a portfolio company or holding 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. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Fund's investment, and has the potential to result in economic effects greater than the original amount of compensation, and the relevant Fund typically will bear the costs of all Operating Partner compensation as well as fees, costs and expenses of structuring Operating Partner arrangements. 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, although Avista generally considers performance-based compensation to better align its interests with those of its investors, particularly in instances where the Limited Partnership Agreements include terms requiring clawback or giveback of performance-based compensation amounts at the end of the relevant Fund’s life or at certain interim intervals.

## **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 U.S. or non-U.S. 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, as well as executives of portfolio companies.

Fund II, Fund IV, Fund V 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 Fund II) 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 slow-down 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), result in missed opportunities for any such Fund, or 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 are permitted to 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 are permitted to 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 on 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.

*Portfolio Company Leverage.* The Funds are permitted to 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 will constrain 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. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. 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. Except where otherwise required by the relevant Limited Partnership Agreements, a Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

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.

*Subscription Lines.* A Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in additional partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an

upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Limited Partnership Agreements, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund or results in short-term gains to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's Management Fee calculation, such as during periods where Management Fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Management Fee calculation under the Limited Partnership Agreements. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, certain lenders of facilities are expected to impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund or impose concentration or other limits on the Fund's investments, and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Fund, resulting in a potential net benefit to the Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio company or Fund subsidiary.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows a General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital



at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A General Partner is authorized to use Fund-level borrowing to pay Management Fees and to reimburse Avista for expenses incurred on behalf of the Fund. A Fund is also permitted to utilize Fund-level borrowing when a General Partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant General Partner, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the Limited Partnership Agreements, this scenario potentially incentivizes the relevant General Partner to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

*Monetary Policy and Governmental Intervention.* Actions by the Board of Governors of the U.S. Federal Reserve System (the “**Federal Reserve**”) and certain non-U.S. governments and central banks, including changes in policies and taking other actions to stabilize markets, combat inflation and/or restart or encourage economic growth, may have a significant effect on interest rates, inflation and on the U.S. and world economies generally, which in turn may affect the performance of the Fund's investments on an absolute and/or relative basis.

The Federal Reserve has increased interest rates and to the extent it continues increasing interest rates, the ability for the Funds and their investments to borrow on attractive terms may be adversely affected. The Funds may as a result also be required to invest additional equity into portfolio companies, raising the costs to the Funds of acquiring businesses and/or limiting the diversity of the overall portfolio. Such events could also put pressure on asset and equities prices, which in turn could affect the performance of the Funds and the companies in which it invests, or limit the ability of portfolio companies to refinance debt or pay dividends. Furthermore, the United States and other countries in which the Funds may invest are experiencing inflation. Inflation and rapid fluctuations in interest rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging economies, including by contributing to declines in business and consumer spending in addition to other adverse market

conditions. Although such events may at times create significant investment opportunities leading to attractive returns, there can be no assurance that economic and financial difficulties will not adversely affect the value of a Fund's investments or make it more difficult for the Funds to locate appropriate investment opportunities. If a portfolio company is unable to increase its revenue in times of higher inflation, its profitability will be adversely affected. The Funds' portfolio companies could in some cases have long-term rights to income linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangements. Typically, as inflation rises, a portfolio company will earn more revenue but also will incur higher expenses; as inflation declines, a portfolio company might be unable to reduce expenses in line with any resulting reduction in revenue. A rise in real interest rates would likely result in higher financing costs for portfolio companies and could therefore result in a reduction in the amount of cash available for distribution from the Funds. There can be no assurance that inflation will not become a serious problem in the future and thereby negatively affect the Fund's investment returns. In addition to inflation, possible stagflation resulting in slow economic growth, on the one hand, and increasing prices for goods and services sold, on the other hand, could also have an adverse effect on the Fund and its portfolio companies.

In response to interagency guidance on leveraged lending by the Federal Reserve, the Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation have considered curtailing certain leveraged lending to market participants such as private equity firms in connection with their investment activities. Such governmental bodies have also recently warned banks against leveraged lending that loads companies with large amounts of debt. The availability of leverage is subject to governmental and regulatory oversight and certain governmental bodies or regulators, and there can be no assurance that such governmental bodies or regulators will not restrict or otherwise discourage lending in the future. To the extent leveraged lending is curtailed, private equity funds (including the Fund) 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 or advantageous for borrowers compared to prior periods. Changes in policy of this type may impair the Fund's ability to consummate transactions and/or cause the Fund to seek alternative capital sources and/or to enter into transactions on less favorable terms, including both acquisitions and exits as borrowings may be limited or 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 Limited Partnership Agreements. 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.* A recent court decision found that, in certain circumstances, a fund could be treated as a “trade or business” for purposes of determining pension liability under the Employee Retirement Income Security Act of 1974. Therefore, where an investment fund owns 80% or more (or possibly, 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. The Funds may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund may own an 80% or greater interest in such a portfolio company. If the Funds (or other 80%-owned portfolio companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Funds and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date hereof, which may change in the future as the case law and guidance develops.

*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").* The UK formally left the EU on January 31, 2020 ("Brexit"), and entered a transition period that ended on December 31, 2020. On December 30, 2020, the UK government and the EU Commission signed a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period. However, this agreement does not include an agreement on financial services and, as a result, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU

and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to many of the same rules and regulations as prior to Brexit. However, the UK government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third-country access to EU markets. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on any Fund and its investments, including the ability of a Fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions). 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 Brexit may adversely affect both EU- and UK-based businesses, including Avista Capital Holdings and Fund portfolio companies, as applicable. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption 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.

Certain jurisdictions, including U.S. states, have proposed, adopted 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.

*GDPR Compliance Risk.* Applicable laws and regulations related to privacy, data protection and information security could increase costs for the Funds and/or its portfolio companies, and a failure to comply with such laws and regulations could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of the Funds and/or its portfolio companies.

Portfolio companies are generally subject to laws and regulations related to privacy, data protection and information security in the jurisdictions in which they do business. As privacy, data protection and information security laws and regulations are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

The EU data protection law currently in effect is in the form of the General Data Protection Regulation (EU 2016/679) (the “GDPR”) which took direct effect across the EU Member States on May 25, 2018. The GDPR seeks to harmonize national data protection laws across the EU, while simultaneously modernizing the law to address new technological developments. Compared to the previous EU data protection laws derived from the Data Protection Directive (Directive 95/46/EC) (which was replaced by the GDPR), the GDPR notably has a greater extra-territorial reach and has a significant impact on data controllers and data processors: (i) with an establishment in the EU, (ii) which offer goods or services to EU data subjects or (iii) which monitor EU data subjects’ behavior within the EU. The GDPR imposes more stringent operational requirements on both data controllers and data processors, and introduces significant penalties for non-compliance, with fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach.

The current “ePrivacy Directive” will also be repealed by the EU Commission’s Regulation on Privacy and Electronic Communications (the “ePrivacy Regulation”), which aims to reinforce trust and security in the digital single market by updating the legal framework regarding the “right to a private life” for users of electronic communications. The latest draft text of the ePrivacy Regulation is in the process of being finalized by the Council of the EU (with support from the Committee of Permanent Representatives), however, it is not expected to reach agreed form until mid-2021 at the earliest. After such time, the ePrivacy Regulation will become subject to trilogue negotiations (between the Council of the EU, the European Parliament and the European Commission) and is therefore not expected to enter into force before 2023. A compulsory grace period of a maximum of two years will then apply to allow EU Member States to implement the ePrivacy Regulation before it is brought into effect.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs 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 on regulated entities.

Compliance with current and future privacy, data protection and information security laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of

the Funds' current and planned business activities and, as such, could increase costs for the Funds and/or its portfolio companies. A failure to comply with such laws and regulations could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of the Funds and/or its portfolio companies and overall business, as well as have an impact on reputation.

*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 COVID-19, have and are resulting in market 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.

In an effort to contain such health emergencies, national, regional and local governments, as well as private businesses and other organizations, have taken or have the potential to take 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. Any such measures have the potential to significantly diminish economic production and activity of all kinds and contribute to volatility in financial markets, demand across categories of consumers and businesses, as well as in the credit and capital markets. Restrictive measures, whether on an initial or re-imposed basis, also have the potential to cause labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, increases in unemployment levels, 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 any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds' and their 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 Funds 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 Funds intend to pursue, all of which could adversely affect the Funds' ability to fulfill their 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 portfolio companies, the General Partners and the Advisers may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, 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.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company, Fund, General Partner, Avista Capital Holdings or one or more of the respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, Avista Capital Holdings, the General Partners, the Funds and/or portfolio companies may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Avista Capital Holdings', the General Partners, the Funds', portfolio companies' and/or service providers' operations, including the ability to make distributions to limited partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Avista or one of its service providers holding its financial or investor data, Avista, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Avista's policies and practices.

*CFIUS and National Security Clearance Considerations.* Certain investments are expected to be subject to or require review and approval by the U.S. Committee on Foreign Investment in the United States ("CFIUS"), such as where CFIUS-related laws, regulations or guidance deem non-U.S. persons or entities under their control (such as a Fund, co-investors and/or rollover sellers) to be acquiring a U.S. business (including a business with assets, employees, facilities, and/or operations in the United States). CFIUS has the authority to review proposed or existing transactions or investments or to seek to impose limitations on or prohibit investments, and CFIUS filings and other considerations can materially impact transaction timing, feasibility, certainty and costs. In certain circumstances, CFIUS considerations have the

potential to prevent a Fund from maintaining or pursuing investments, or limit the universe of available buyers for an existing investment. Any of these factors have the potential to adversely affect a Fund's performance, and the likelihood that CFIUS considerations will be implicated is expected to increase where non-U.S. limited partners comprise a substantial percentage of a Fund. Under the Limited Partnership Agreements, the relevant General Partner generally is authorized, although not required, to excuse or otherwise limit non-U.S. limited partners' ability to invest in U.S. businesses (or to exercise voting or advisory board rights with respect thereto) in order to anticipate or comply with CFIUS considerations. However, there can be no assurance that invoking any such excuse provisions or other limitations will allow the Fund to proceed with or maintain any investment, or to avoid losses relating thereto. Similar considerations are expected to apply with respect to reviews by non-U.S. national security or investment clearance regulators.

*Impact of Government Regulation, Reimbursement and Reform.* The SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of Avista Capital Holdings and the Funds. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact Avista Capital Holdings and its affiliates, a Fund and/or its investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to a Fund.

*Environmental, Social and Governance ("ESG") Matters.* Avista Capital Holdings seeks to integrate certain ESG factors into its investment process in accordance with its policy and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that Avista Capital Holdings will be able successfully to implement its ESG policy while achieving its investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Avista Capital Holdings, or any judgment exercised by Avista Capital Holdings, will reflect the beliefs or values of any particular investor. There are also significant differences in interpretations of what ESG characteristics mean by region, industry and topic, as well as the interpretations of their scope and materiality. Avista Capital Holdings' interpretations and decisions are expected to differ from others' views and could also evolve over time. In addition, in evaluating an investment, Avista Capital Holdings expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause Avista Capital Holdings to incorrectly assess a company's ESG practices and/or related risks and opportunities. Avista Capital Holdings does not intend independently to verify all ESG information reported by investments or third parties. Further, considering ESG qualities when evaluating an investment could result in the selection or exclusion of certain investments based on Avista Capital Holdings' view of certain ESG-related and other factors and could cause the relevant Funds not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of the ESG Policies. For avoidance of doubt, however, Avista Capital Holdings does not expect to



subordinate a Fund's investment returns or increase a Fund's investment risks as a result of (or in connection with) the consideration of any ESG factors.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and Avista Capital Holdings' adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. Avista Capital Holdings' ESG policies could become subject to additional regulation in the future, and Avista Capital Holdings cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any such future requirements (including any enforcement with respect thereto) could affect a Fund or its investments, including with respect to future administrative burdens and costs.

*Russia-Ukraine Conflict.* The ongoing military conflict between Russia and the Ukraine has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict may have a significant adverse impact and result in significant losses to the Funds. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of the Fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Fund's assets (each, a "**Financial Institution**") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "**Distress Event**"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Avista Capital Holdings, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("**FDIC**"), in the case of banks, or the Securities Investor Protection Corporation ("**SIPC**"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S.

Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Avista Capital Holdings to manage the Funds and their investments, and on the ability of Avista Capital Holdings, any Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Fund having to pay fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well the inability of a Fund to acquire or dispose of investments at prices that the relevant General Partner believes reflect the fair value of such investments and/or the inability of portfolio companies to make payroll, fulfill obligations and maintain operations. Although Avista Capital Holdings expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many Financial Institutions require, as a condition to using their services or otherwise, that Avista Capital Holdings and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with such Financial Institution or its affiliate(s) (each, a “**Custodian**”), which heightens the risks associated with a Distress Event with respect to such Custodians. Although Avista Capital Holdings seeks to do business with Custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Avista Capital Holdings is under no obligation to use a minimum number of Custodians with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

*U.S. Taxation of Carried Interest.* 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 partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership’s income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its General Partner, or Avista Capital Holdings who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. This creates potential incentives for Avista Capital Holdings to cause a Fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

*LIBOR and other Benchmark Rates.* To the extent that a Fund’s investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on the London Interbank Offered Rate (“**LIBOR**”) or other benchmark or reference rates (each, a

“Benchmark Rate”), the Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants are working to facilitate the transition of existing instruments and contracts away from LIBOR to new Benchmark Rates, and any such transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Funds and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

*Secondaries and other GP-Led Transactions.* There continues to be a significant market in the private fund sector for secondary sales, GP-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by Avista Capital Holdings following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where Avista Capital Holdings believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by the Avista Capital Holdings and its affiliates). However, certain of such transactions are expected to require a limited partner to invest additional capital in the existing Fund and/or other investment vehicles, a greater exposure to one or more particular portfolio company, and/or a delay in the full liquidation of its investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant General Partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or limited partner and those of Avista Capital Holdings or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where Avista Capital Holdings or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction, their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, Avista Capital Holdings, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. Further, the relevant General Partner is expected to be incentivized to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Fund, and in such circumstances Avista Capital Holdings reserves the right to

compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory committee prior to the closing of the transaction, there can be no assurance that Avista Capital Holdings will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any individual limited partner or group of limited partners. However, Avista Capital Holdings reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Limited Partnership Agreements.

*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.

### *Energy (Fund II)*

*Energy Services and Energy and Natural Resources Industries Risks.* Investments in the energy and energy services sectors by Fund II 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 II 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 and interest, unless an exception applies. The U.S. Internal Revenue Service (the "IRS") has issued proposed regulations, on which taxpayers may rely until final regulations are issued, that would generally not apply these withholding requirements to gross proceeds from asset dispositions

### **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, SPACs 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. Avista personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. To the extent an advisory opportunity is received that is unsuitable for a Fund, in Avista's sole discretion, Avista and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the governing documents, Avista personnel are permitted to serve on boards or act in other roles unaffiliated with Avista, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles, none of which will offset or otherwise reduce Management Fees.

*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) 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.

Except to the extent prohibited by the governing documents, Avista and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the governing documents and anti-"assignment" provisions of the Advisers Act, Avista and its personnel are also permitted to offer, restructure and monetize interests in Avista.

*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.

*Fees and Expenses Allocation.* 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. As a general matter, expenses typically will be allocated among a Fund and other Private Investment 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 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 number of vehicles receiving related benefits or proportionately in accordance with asset size or in certain circumstances determining whether a particular expense has greater benefit to the Funds and/or other Private Investment Funds on the one hand or Avista on the other hand. The Funds and other Private Investment 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 and other Private Investment Funds bearing different levels of expenses with respect to the same investment.

*Other Collective Investment Vehicles.* 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. In other circumstances, during the period that a portfolio company is owned by a Fund, it could acquire size, revenue or other characteristics that would make it a suitable investment for one or more other Funds.

Following such determination of allocation among Funds, Avista Capital Holdings reserves the right to offer co-investment opportunities to one or more potential co-investors, including Operating Partners, vendors, service providers, and/or other 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. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and because co-invest opportunities generally appeal to Fund investors and third parties, Avista Capital Holdings expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons and (iii) co-investors' proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of a Fund's Limited Partnership Agreements. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner's interest in limiting the Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. 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 input from an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness or "arm's-length" nature of a purchase or sale price, whether or not part of a formal fairness opinion, "request for proposal" process, or proposal or quotation provided exclusively for the benefit of Avista Capital Holdings) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's advisory committee) 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 (including its value) 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 circumstances in which one Fund ultimately bears liability for all or part of the obligations of another Fund or any Avista Capital Holdings' affiliate, in certain circumstances lenders and other market participants 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 cases, 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. In other circumstances, lenders and other market parties are expected to seek "cross default" rights under which a Fund will be treated as in default under the relevant facility in the event of a default by another Fund or an Avista Capital Holdings affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, a Fund's limited partners could suffer adverse effects resulting from any default by any Fund or an Avista Capital Holdings affiliate, whether or not related to the Fund in which such limited partners have invested.

*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, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure and whether such fees should be structured in a way that economically impacts all of the owners of such portfolio company (i.e., the relevant Fund as well as portfolio company management, any co-investors and any other third-party owners) or solely the relevant Fund. 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, and reimburse expenses of, 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 amounts 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. Operating partners are expected from time to time to include former employees of Avista or certain portfolio companies, and in some circumstances former Operating Partners are expected to become Avista employees or employees of portfolio companies. Consequently, the determination of whether individuals are Operating Partners is expected to vary and/or be revisited from time to time, which poses potential conflicts of interest where certain changes in status or categorization would reduce costs that Avista otherwise would be required to bear. To the extent that Operating Partners are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Operating Partners' services at a time when fewer portfolio companies or Funds make use of such Operating Partner. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or written work product generated by the Operating Partners. 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 have the potential to 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 or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of Avista's compensation, none of which generally will be subject to the "most-favored nation" provisions of a Fund's Limited Partnership Agreements), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, investment pacing restrictions, as well as economic procedural and other terms.

Avista is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners, e.g., based on commitment amount to a Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to Avista, its affiliates and personnel or the Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to Avista, its affiliates and personnel, or the Funds. Further, 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, Avista, 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. Side Letters subject Avista to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's advisory committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other Side Letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Fund or of limited partners as a whole, including in the event that a Side Letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Fund.

As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event a limited partner defaults on a drawdown in respect of an investment. Although Avista believes it to be unlikely, excuse or other rights requested or received by one or more limited partners (or



such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Fund have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the relevant Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Limited Partnership Agreements; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Fund.

*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 the Funds, their effect is expected to be 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 quality, sector competence or expertise, familiarity, onboarding speed or 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. Avista reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is "arm's-length." Consequently, Avista undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking relates specifically to the assets, services geographies or comparable markets 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. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Avista entities) to Avista personnel and their estate planning vehicles. Avista expects to be subject to 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.

A Fund's General Partner generally is permitted to receive a distribution in kind from the Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the General Partner as carried interest (which generally will be made using the value of the relevant securities on the date of contribution). In such circumstances, there is a potential conflict of interest between the General Partner (and its beneficial owners) and the relevant Fund's limited partners. For example, the General Partner and its beneficial owners may intend to hold the investment for a different time period than Avista Capital Holdings deems suitable for the Fund. Although the General Partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Fund's disposition thereof, neither the relevant Fund nor its limited partners will benefit from the increase, and over time the economic benefit to the General Partner and its beneficial owners could exceed the value of the General Partner's *pro rata* interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of the General Partner contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Fund or its limited partners.

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 Limited Partnership Agreements 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.

Avista has entered into a strategic relationship with two Strategic Investors in which each Strategic Investor has acquired a minority interest (each less than 20%) in Avista. In addition, the Strategic Investors have agreed to make significant capital commitments to Avista Capital Partners V, L.P. and Avista Healthcare Partners VI, L.P. and certain other investment vehicles sponsored by Avista. While the Strategic Investors are passive investors and have no approval, veto, or similar governance rights with respect to the investment decisions by Avista or any portfolio company operations, the Strategic Investors have negotiated certain minority protection and consent rights in connection with its investment in Avista as well as certain informational rights that are not available to other investors with respect to their investments in the Fund. Although it intends to maintain operations, strategy and investment decisions separate from the Strategic Investors, Avista generally will have incentives to conduct operations in a manner that benefits the Strategic Investors.

In connection with its services to the Funds and their investments, Avista, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Avista's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Avista and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Avista Information"). In many cases, Avista Information will include tools, procedures and resources developed by Avista to organize or systematize Avista Information for ongoing or future use. Although Avista expects its Funds and their portfolio companies generally to benefit from Avista's possession of Avista Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by Avista Capital Holdings and its personnel) and not by the Fund or portfolio company from which Avista Information was originally received. Avista Information will be the sole intellectual property of Avista and solely for the use of Avista. Avista reserves the right to use, share, license, sell or monetize Avista Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

The relevant liability standards under insurance coverage procured by Avista are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the Limited Partnership Agreements. Investors generally will be responsible for insurance premiums, as set forth in the Limited Partnership Agreements, regardless of whether the liability and/or indemnity standards in Avista's insurance coverage are higher or lower than that set forth in the Limited Partnership Agreements.

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 in many cases will 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. These arrangements generally are disclosed in the relevant Fund's Form D. 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. Avista Capital Holdings has retained Rede Partners (Americas) LLC and Magenta Capital Services Ltd. to solicit investors to invest in Avista Funds in exchange for fees ranging from 0.1% to 1.75% of commitments made by applicable investors.

## CUSTODY

Avista Capital Holdings generally expects that it will be deemed to have "custody" (within the meaning of Advisers Act Rule 206(4)-(2) (the "Custody Rule")) of funds or securities held in each Fund's name, subject to certain exceptions set forth in the Custody Rule and related guidance, and intends to maintain such assets with the following qualified custodian: JP Morgan Chase Bank NA, 500 Stanton Christiana Road, NCC1, Newark, Delaware, 19713.

## 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 currently serves as Chairman, having served as Managing Partner and Co-Chief Executive Officer through 2021. 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 Chairman 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 currently serves as Managing Partner and Chief Executive Officer. 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 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.

## ***Sriram Venkataraman***

### *Educational Background and Business Experience*

Sriram Venkataraman, born 1972, joined Avista in 2007 and currently serves as a Partner. Previously, Mr. Venkataraman was a Vice President in the Healthcare Investment Banking group at Credit Suisse. Mr. Venkataraman received a M.S. in Electrical Engineering from the University of Illinois, Urbana-Champaign in 1993 and an M.B.A. from the Wharton School in 2001.

### *Disciplinary History*

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

### *Other Business Activities*

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

### *Additional Compensation*

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

### *Supervision*

As an Investment Committee member of Fund IV, Fund V, Fund VI and Avista Healthcare, Mr. Venkataraman is responsible for assisting in implementing and overseeing the investment strategy of the clients of Avista with respect to Fund IV, Fund V, Fund VI and Avista Healthcare.

## ***Robert Girardi***

### *Educational Background and Business Experience*

Robert Girardi, born 1981, joined Avista in 2010 and currently serves as a Partner. Previously, Mr. Girardi was a Senior Associate at Quadrangle Partners. Mr. Girardi received a B.S. in Business Administration from the University of North Carolina, Chapel Hill in 2003 and an M.B.A. from the Wharton School in 2009.

### *Disciplinary History*

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

### *Other Business Activities*

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

### *Additional Compensation*

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

### *Supervision*

As an Investment Committee member of Fund IV, Fund V, Fund VI and Avista Healthcare, Mr. Girardi is responsible for assisting in implementing and overseeing the investment strategy of the clients of Avista with respect to Fund IV, Fund V, Fund VI and Avista Healthcare.

## ***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 II. 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 II, Mr. Webster is responsible for assisting in implementing and overseeing the investment strategy of the clients of Avista with respect to Fund II.