



**CONVERSUS CAPITAL, L.P.**

**INTERIM FINANCIAL REPORT**

*For the nine months ended 30 September 2010*

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## CONVERSUS AT A GLANCE

<b>Our Company</b>	Conversus Capital, L.P. <sup>1</sup> <ul style="list-style-type: none"> <li>• Guernsey Limited Partnership</li> <li>• Listed on Euronext Amsterdam by NYSE Euronext</li> <li>• Symbol: CCAP</li> <li>• 70,355,494 units outstanding as of 30 September 2010</li> <li>• Website: <a href="http://www.conversus.com">www.conversus.com</a></li> </ul>
<b>Mission</b>	To provide immediate exposure to a diversified portfolio of private equity assets, access to best-in-class general partners and consistent NAV returns that outperform the public markets
<b>Highlights</b>	<ul style="list-style-type: none"> <li>• Largest publicly-traded portfolio of third party private equity funds</li> <li>• Fully invested portfolio of top-tier, diversified and seasoned private equity investments</li> <li>• Sophisticated financial management with public company corporate financial tools to maximize efficiency of the balance sheet and operate with little cash drag</li> </ul>
<b>Alignment of Interests</b>	<ul style="list-style-type: none"> <li>• Strong corporate governance, with an Independent Board of Directors and an Independent CFO</li> <li>• Performance driven compensation structure for investment manager</li> <li>• Substantial investments by sponsors and management</li> </ul>
<b>Investment Manager</b>	Conversus Asset Management, LLC <ul style="list-style-type: none"> <li>• Leverages the platforms of sponsors Bank of America and Oak Hill Investment Management</li> <li>• Experienced investment team comprised of 27 investment professionals with over 200 years of combined experience</li> </ul>

<b>Key Metrics</b> (\$ and units outstanding in 000's except per unit data)	<b>As of 30 Sep 2010</b>	<b>As of 31 Dec 2009</b>	<b>Increase / (Decrease)</b>
Net Asset Value	\$ 1,781,296	\$ 1,700,560	4.7 %
Units Outstanding	70,355	72,367	(2.8)%
Net Asset Value per Unit	\$ 25.32	\$ 23.50	7.7 %
Unit Price	\$ 16.30	\$ 11.27	44.6 %
Market Capitalization	\$ 1,146,787	\$ 815,576	40.6 %
Investment NAV	\$ 1,847,622	\$ 1,907,572	(3.1)%
Unfunded Commitments	\$ 611,163	\$ 731,727	(16.5)%
Cash and Cash Equivalents	\$ 26,446	\$ 32,313	(18.2)%
Notes and Interest Payable	\$ 84,244	\$ 229,004	(63.2)%
Wtd. Avg. Net Assets - YTD	\$ 1,738,074	\$ 1,542,376	12.7 %
Wtd. Avg. Portfolio Company Duration	5.1 years	4.8 years	6.3 %
Wtd. Avg. Fund Life	8.0 years	7.6 years	5.3 %

<sup>1</sup>Conversus Capital, L.P. is an authorized closed-ended investment scheme for Guernsey regulatory purposes and is subject to the supervision of the Guernsey Financial Services Commission and market conduct supervision by the Authority for the Financial Markets in the Netherlands.

## NOTE ON NAMING AND OTHER CONVENTIONS

Conversus Capital, L.P. (“Conversus LP”) makes all of its investments through Conversus Investment Partnership, L.P. (“Investment Partnership”), a Guernsey limited partnership, and its subsidiaries. Conversus LP, the Investment Partnership and the Investment Partnership’s subsidiaries are collectively referred to as “Conversus.” Where we use the terms “we,” “ours,” “us” and other such terms, we refer to Conversus.

Conversus Asset Management, LLC is referred to as “CAM” or the “Investment Manager.”

Bank of America Corporation is referred to as “BAC” and Oak Hill Investment Management, L.P. (together with OHIM Investors, L.P.) as “OHIM.”

The estimated net asset value (“NAV”) of Conversus is referred to as “total NAV” or simply “NAV” and includes all net balance sheet items of Conversus. The NAV of Conversus’ investments is referred to as “investment NAV.”

Our collateralized fund obligation program (see Note 6 of the combined financial statements) is referred to as the “credit facility,” the “collateralized fund obligation program” or “the Program.”

Notes and interest payable less cash and cash equivalents is referred to as “net debt.”

Derivative instruments held to partially hedge market exposure on our public equity securities are referred to as “derivative instruments,” “derivatives” or “swaps.”

Distributions and calls from fund investments are referred to as “portfolio cash flows.” Calls include capital called by our general partners for fund fees and expenses.

All amounts set forth in this report are in thousands, unless otherwise noted, except for per unit data. All dollar amounts are in U.S. dollars.

## OPERATING SUMMARY

The following table displays a summary of operating results for the quarters ended 30 September 2010 and 30 September 2009.

<b>Summary Operating Results</b> <i>For the Quarters Ended:</i>		
	<b>30 Sep 2010</b>	<b>30 Sep 2009</b>
Net Change in Unrealized Depreciation on Investments	\$ 32,616	\$ 50,467
Net Realized Gains	37,921	21,654
Investment Income	7,106	3,173
Total Expenses	(14,930)	(18,428)
Total Increase in Net Assets from Operations	<u>\$ 62,713</u>	<u>\$ 56,866</u>

- The net change in unrealized depreciation on investments of \$32.6 million for the quarter ended 30 September 2010 was comprised of net unrealized gains of \$36.3 million related to public

equity securities and \$13.9 million in unrealized foreign currency gains, partially offset by net unrealized losses of \$6.6 million related to private holdings and unrealized losses of \$11.0 million on a derivative instrument held to partially hedge market exposure on our public equity security portfolio. The \$6.6 million in private unrealized losses included \$29.1 million in reversals of previous net unrealized gains that were realized during the third quarter.

The net change in unrealized depreciation on investments of \$50.5 million for the quarter ended 30 September 2009 was comprised of net unrealized gains of \$55.8 million related to public equity securities, net unrealized gains of \$9.5 million related to private holdings and \$5.0 million in unrealized foreign currency gains, partially offset by unrealized losses of \$19.8 million on derivative instruments.

- Net realized gains of \$37.9 million for the quarter ended 30 September 2010 included \$46.9 million in gross realized gains, \$2.1 million in gross realized losses and \$6.9 million in portfolio company write-offs by general partners. In comparison, net realized gains of \$21.7 million for the quarter ended 30 September 2009 included \$31.2 million in gross realized gains, \$7.5 million in gross realized losses and \$2.0 million in portfolio company write-offs by general partners.
- For the quarters ended 30 September 2010 and 2009, net investment income was \$7.1 million and \$3.2 million, respectively. This income was mainly comprised of dividend and interest income.
- Total expenses for the quarters ended 30 September 2010 and 2009 were \$14.9 million and \$18.4 million, respectively. Further expense detail can be found in the tables below.
- The increase in net assets from operations of \$62.7 million during the quarter ended 30 September 2010 resulted in a gain per unit outstanding of \$0.88. The increase in net assets from operations of \$56.9 million during the quarter ended 30 September 2009 resulted in a gain per unit outstanding of \$0.79.

The following table displays a summary of operating results for the nine months ended 30 September 2010 and 30 September 2009.

<b>Summary Operating Results</b> <i>For the Nine Months Ended:</i>		
	<b>30 Sep 2010</b>	<b>30 Sep 2009</b>
Net Change in Unrealized Depreciation on Investments	\$ 56,882	\$ 87,593
Net Realized Gains	77,902	4,429
Investment Income	19,661	6,667
Total Expenses	(43,729)	(51,858)
Total Increase in Net Assets from Operations	<u>\$ 110,716</u>	<u>\$ 46,831</u>

- The net change in unrealized depreciation on investments of \$56.9 million for the nine months ended 30 September 2010 was comprised of net unrealized gains of \$57.9 million related to public equity securities and net unrealized gains of \$7.5 million related to private holdings, partially offset by \$4.5 million in unrealized foreign currency losses and unrealized losses of \$4.0 million on a derivative instrument. The \$7.5 million in private unrealized gains included \$61.5 million in reversals of previous net unrealized gains that were realized during the period.

The net change in unrealized depreciation on investments of \$87.6 million for the nine months ended 30 September 2009 was comprised of net unrealized gains of \$117.4 million related to public equity securities and \$6.7 million in unrealized foreign currency gains, partially offset by

net unrealized losses of \$21.4 million related to derivative instruments and net unrealized losses of \$15.1 million related to private holdings.

- Net realized gains of \$77.9 million for the nine months ended 30 September 2010 included \$147.5 million in gross realized gains, \$30.2 million in gross realized losses and \$39.4 million in portfolio company write-offs by general partners. In comparison, net realized gains of \$4.4 million for the nine months ended 30 September 2009 included \$46.8 million in gross realized gains, \$24.4 million in gross realized losses and \$18.0 million in portfolio company write-offs by general partners.
- For the nine months ended 30 September 2010 and 2009, net investment income was \$19.7 million and \$6.7 million, respectively.
- Total expenses for the nine months ended 30 September 2010 and 2009 were \$43.7 million and \$51.9 million, respectively. Further expense detail can be found in the tables below.
- The increase in net assets from operations of \$110.7 million during the nine months ended 30 September 2010 resulted in a gain per unit outstanding of \$1.54. The increase in net assets from operations of \$46.8 million during the nine months ended 30 September 2009 resulted in a gain per unit outstanding of \$0.65.

The following table displays operating expenses and related annualized operating percentages, excluding one-time costs, based on weighted average net assets for the quarters ended 30 September 2010 and 2009.

<b>Total Operating Expenses and Percentages</b>					
<i>For the Quarters Ended:</i>					
	<b>30 Sep 2010</b>		<b>30 Sep 2009</b>		
	<b>Expense</b>	<b>Percentage</b>	<b>Expense</b>	<b>Percentage</b>	
Fund Fees and Expenses	\$ 4,722	1.07%	\$ 5,773	1.51%	
Net Management Fees	4,315	0.98	4,356	1.14	
Interest	763	0.17	1,165	0.31	
Professional Service Fees	1,327	0.30	1,162	0.30	
Personnel	1,453	0.33	1,056	0.28	
Public Company Costs	648	0.15	708	0.19	
Other General and Administrative	1,702	0.26	4,208	0.49	
<b>Total Expenses</b>	<b>\$ 14,930</b>	<b>3.26%</b>	<b>\$ 18,428</b>	<b>4.22%</b>	

- Fund fees and expenses represent charges by the general partners of the funds in which Conversus is invested and are expensed in the period to which they relate. These fees and expenses do not include performance fees or carried interest earned by the general partners. Fund fees and expenses are highly dependent on the billing cycles of the underlying general partners of our investments and fluctuate on a quarterly basis.
- Net management fees are paid to CAM based on an aggregate amount of (i) 1.0% per annum of the value of Conversus' non-cash assets and (ii) 0.5% per annum of Conversus' aggregate unfunded commitments. Of such amount, one-third is paid quarterly in cash ("cash management fee"), in arrears, and two-thirds is earned in the form of a contingent profits interest in the Investment Partnership. The contingent profits interest is paid quarterly, in arrears, to the extent there has been sufficient appreciation in Conversus' NAV. CAM has agreed to irrevocably waive its right to 30% of the contingent profits interest while Conversus operates under a realization strategy. This waiver was effective as of 1 July 2009 and results in annual savings of \$4.3 million

to Conversus based upon investment NAV and unfunded commitment levels as of 30 September 2010. Management fees in the operating expense tables are shown net of the fees waived.

- Interest expense represents the interest incurred on amounts borrowed under the credit facility. The expense reflected weighted average principal balances outstanding of \$97.7 million and \$252.5 million for the quarters ended 30 September 2010 and 2009, respectively. The balances outstanding bore weighted average rates of 3.3% and 1.7% as of 30 September 2010 and 2009, respectively. The decrease in interest expense during the quarter ended 30 September 2010 when compared to the same quarter in 2009 was due to lower average balances during the quarter ended 30 September 2010.
- Professional service fees represent accounting, audit, tax, legal, compliance and related costs. The increase in the third quarter of 2010 when compared to the same period in 2009 was primarily due to higher tax compliance and legal costs.
- Personnel expense includes compensation and benefits for CCAP's employees as well as employee costs reimbursed to CAM for administrative personnel under a services agreement (see Note 9 to the combined financial statements). Personnel expense was higher in the third quarter of 2010 in comparison to the same quarter in 2009 due to higher phantom equity expense and annual salary increases. Phantom equity grants are referenced to CCAP's unit price.
- Public company costs consist of insurance, third party valuation fees, Board of Director cash compensation, investor relations and regulatory expenses.
- Other General and Administrative expenses include fees related to the credit facility, income taxes, occupancy, travel, recruitment and miscellaneous employee and other costs. The decrease in the third quarter of 2010 when compared to the third quarter of 2009 is primarily due to lower income tax expense.

The following table displays operating expenses and related annualized operating percentages based on weighted average net assets for the nine months ended 30 September 2010 and 30 September 2009.

<b>Total Operating Expenses and Percentages</b> <i>For the Nine Months Ended:</i>					
	<b>30 Sep 2010</b>		<b>30 Sep 2009</b>		
	<b>Expense</b>	<b>Percentage</b>	<b>Expense</b>	<b>Percentage</b>	
Fund Fees and Expenses	\$ 14,547	1.12%	\$ 16,478	1.44%	
Net Management Fees	13,073	1.00	14,872	1.30	
Interest	2,435	0.19	5,404	0.47	
Professional Service Fees	4,212	0.32	3,899	0.34	
Personnel	4,661	0.36	3,259	0.28	
Public Company Costs	1,836	0.14	2,032	0.18	
Other General and Administrative	2,965	0.22	5,914	0.45	
<b>Total Expenses</b>	<b>\$ 43,729</b>	<b>3.35%</b>	<b>\$ 51,858</b>	<b>4.46%</b>	

- Interest expense reflected weighted average principal balances outstanding of \$154.1 million and \$255.6 million for the nine months ended 30 September 2010 and 2009, respectively. The decrease in interest expense during the nine months ended 30 September 2010 when compared to the same nine months in 2009 was due to the lower average balances during the nine months ended 30 September 2010.
- Professional Service Fees increased in the first nine months of 2010 when compared to the first nine months of 2009 due to higher tax compliance costs.



- Personnel expense increased in the first nine months of 2010 in comparison to the first nine months of 2009 due to higher phantom equity expense. Phantom equity grants are referenced to CCAP's unit price.
- Other General and Administrative expenses decreased in the first nine months of 2010 when compared to the first nine months of 2009 primarily due to lower income tax expense.

## BUSINESS OVERVIEW

Conversus is designed to provide unit holders with immediate exposure to a diversified portfolio of private equity assets, access to best-in-class general partners and consistent NAV returns that outperform the public markets. We are invested in a portfolio that includes commitments to new, or primary funds, funds purchased on the secondary market and direct co-investments in individual companies. We believe that the quality, diversity and maturity of our portfolio, our financial flexibility and our commitment to governance and transparency are our competitive strengths. During the second quarter of 2009, we implemented a realization strategy and discontinued, for now, substantially all new investment activity. This strategy, and the circumstances under which we would return to an active investment strategy, are further described in "Investment Strategy."

Since our inception in July 2007, our core investment strategy has been to invest in new private equity funds managed by general partners with a history of strong performance. To augment returns from this core strategy, we have purchased portfolios of funds in the secondary market with risk exposures and vintages that diversify our portfolio, are favorably priced or are otherwise attractive to us. Additionally, we have invested in a limited number of direct private equity co-investments which allow for the selection of specific portfolio company investments with the potential for superior returns, in part because of the possibility of reduced fees and carried interest. While operating in realization mode we will actively manage our current portfolio of funded investments and unfunded commitments to maximize unit holder value. We will continue to review our strategy in response to market conditions and will make strategic decisions consistent with the goal of maximizing unit holder value.

Since our portfolio is mature and cash flowing, we can operate with low levels of cash. We currently expect to meet capital calls on unfunded commitments with the cash flows from existing assets and through borrowings under our credit facility (see Notes 6 and 13 of the combined financial statements).

CAM implements our investment policies and procedures and carries out the day-to-day management and operations of our business pursuant to a services agreement. CAM is owned by BAC, OHIM, certain members of CAM's management, the California Public Employees Retirement System ("CalPERS") and affiliates of Harvard Management Company, Inc. (an investment vehicle for the Harvard University Endowment). CAM leverages the platforms of BAC and OHIM in sourcing and evaluating investments on behalf of Conversus. We believe the depth and breadth of the commercial activities of BAC and OHIM provide valuable perspectives into general market and industry trends, which enhance the ability of CAM to manage our investments and identify attractive investment opportunities.

Our portfolio is managed by the investment team comprised of employees of CAM and OHIM. The senior members of this group average over 15 years of experience in private equity and alternative asset management. CAM's Investment Committee includes senior investment professionals from CAM, BAC and OHIM.



## INVESTMENT RESULTS

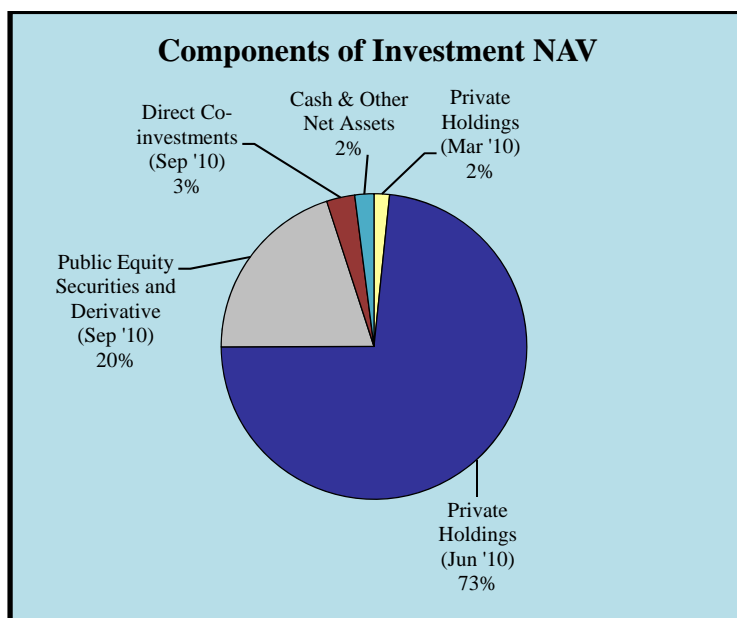
As of 30 September 2010, we had a NAV of \$1,781.3 million, or \$25.32 per unit. By comparison, our NAV as of 31 December 2009 was \$1,700.6 million, or \$23.50 per unit.

During the nine months ended 30 September 2010, our public equity securities experienced net unrealized gains of \$57.9 million and private holdings experienced net unrealized gains of \$7.5 million. These gains were partially offset by net foreign currency losses of \$4.5 million and unrealized losses of \$4.0 million related to a derivative instrument.

For the nine months ended 30 September 2010, net realized gains were \$77.9 million. Gross realized gains were \$147.5 million, gross realized losses were \$30.2 million and general partner write-offs totaled \$39.4 million for the nine month period.

As of 30 September 2010, 73% of the investment NAV was comprised of private holdings valued based on general partner estimates as of 30 June 2010, 3% was comprised of direct co-investments valued based on Conversus' estimates as of 30 September 2010 and 2% was comprised of private holdings valued based on general partner estimates as of 31 March 2010. A further 20% of the investment NAV was comprised of public equity securities and a derivative marked to market as of 30 September 2010. The remaining 2% of investment NAV represented cash and other net assets held by the funds in which Conversus is invested.

The chart below summarizes the components of our investment NAV as of 30 September 2010.



## INVESTMENT STRATEGY

### *Realization Strategy*

In the second quarter of 2009, in response to the significant discount at which our units were trading, we determined that a realization strategy was in the best interest of our unit holders. Despite Conversus' distinguishing characteristics as represented by its portfolio, financial flexibility and commitment to governance and transparency, our units are trading at a discount to our reported NAV of 36% as of 30 September 2010. Although the discount has improved from 52% as of 31 December 2009, under current market conditions we do not believe the unit price levels over the course of the nine months ended 30 September 2010 reflected the value of our high-quality portfolio or the distinct strengths of our business model.

Under the realization strategy, we have discontinued substantially all investments and new commitments to focus on realizing the value of the existing portfolio by applying cash flow to fund capital calls and expenses, repay debt and, over time, return capital to unit holders through unit repurchases and cash distributions. We continue to actively manage the current portfolio of funded investments and unfunded commitments, as well as our liquidity and capital resources, to maximize unit holder value. Active management could include asset sales or swaps. During this phase, we will continue to gain exposure to the attractive opportunities we believe are presented by the market through the unfunded commitments that will be called and deployed by our top-tier general partners.

We will consider a return to a growth strategy if we believe three criteria are met: (i) the market price for our units fairly reflects the value of the portfolio, (ii) the trading volume in our units provides sufficient liquidity for investors and (iii) the reflection of fair value in the unit price and the level of trading volume are sustainable. We will continue to review our strategy in response to market conditions and will make strategic decisions consistent with the goal of maximizing unit holder value.

We have taken these proactive steps in order to increase the confidence of investors that the value of Conversus' portfolio will be delivered to our unit holders over time. We currently envision this to be achieved either through a fairly valued stock price or, if the market does not recognize that value, through cash flow to unit holders.

### *Long-term Investment Strategy*

We believe that our portfolio is distinguished by its maturity, diversity and quality. Since our inception, the portfolio has been constructed in accordance with the long-term, core principles described below. While we are in realization mode, we will continue to follow these core principles, to the extent applicable, and we will actively manage the portfolio accordingly. We will consider proactive steps, if necessary, to retain a balance in our portfolio consistent with our long-term investment strategy.

On a long-term basis, we expect at least 80% of our total investments will be invested directly in new private equity funds and in existing funds purchased on the secondary market. We expect no more than 20% of our total investments will be invested in direct co-investments. However, we may deviate from these percentages if CAM deems it advisable. In terms of concentrations, we expect that no more than 15% of our total investments will be invested in funds managed by any single general partner, no more than 7.5% will be invested in any single fund and no more than 5% will be invested in any single direct co-investment. Our investment policies do not contain fixed requirements, and these limits may be exceeded under certain circumstances. This flexible investment mandate allows us to be responsive to market conditions and opportunistic in seeking the best risk adjusted returns. Moreover, the cash flow from our mature portfolio and our credit facility provide us with the ability to continue investing through various market conditions and phases of economic cycles.

To maintain our attractive position on the private equity J-curve, we have made direct co-investments and purchased portfolios of funds in the secondary market. Direct co-investments may increase exposure to a fund's most promising investments, frequently with partial or complete avoidance of fees and carried interest. Secondary transactions generally represent more seasoned portfolios, and they may offer more appealing risk-reward and liquidity profiles than primary commitments. Secondaries may also be a useful tool for adding exposure to select vintage years, investment stages, industries, geographic regions and other characteristics.

The recent credit crisis has reduced the ability of general partners to create returns through leverage. The best general partners have always emphasized operational improvements that grow cash flow and build franchises in their portfolio companies, and we believe this capability is particularly critical in the current environment. We believe this expertise is well-represented in our current portfolio, and we will continue to focus on the general partners who we believe are best positioned to execute operational improvements successfully.

## INVESTMENT PORTFOLIO

The following table displays a summary of our composition of portfolio investments as of 30 September 2010. See pages 33 to 35 of this financial report for a complete listing of our fund investments as of 30 September 2010.

Composition of Portfolio Investments						
	# of Holdings	Investment NAV	% of Investment NAV	Unfunded Commitments	Total Exposure	% of Total Exposure
Buyout Funds						
> \$7.5 billion	9	\$ 186,757	10.1%	\$ 154,598	\$ 341,355	13.9%
\$5 to \$7.5 billion	8	179,989	9.7	39,420	219,409	8.9
\$3 to \$5 billion	21	312,076	16.9	112,872	424,948	17.3
\$1 to \$3 billion	38	325,436	17.6	104,884	430,320	17.5
\$500 million to \$1 billion	23	148,433	8.0	38,193	186,626	7.6
< \$500 million	39	194,280	10.5	65,880	260,160	10.6
Total Buyout Funds	138	1,346,971	72.8	515,847	1,862,818	75.8
Venture Capital Funds	57	282,067	15.3	87,263	369,330	15.0
Special Situation Funds	18	158,846	8.6	8,053	166,899	6.8
Total Fund Investments	213	1,787,884	96.7	611,163	2,399,047	97.6
Direct Co-investments	3	54,992	3.0	—	54,992	2.2
Public Equity Securities *	11	4,746	0.3	—	4,746	0.2
Total Investments	227	\$ 1,847,622	100.0%	\$ 611,163	\$ 2,458,785	100.0%
* Represents publicly traded equity securities distributions from our fund investments, direct public equity purchases and a derivative instrument.						

The following table displays, in alphabetical order, our seventy-five largest private equity fund investments based on investment NAV as of 30 September 2010. In total, the Top 75 funds represented 73% of our investment NAV and 55% of our unfunded commitments as of 30 September 2010.

Top 75 Fund Investments by Investment NAV (\$ in millions)					
Fund	Asset Class	Vintage Year	Investment NAV**	Unfunded Commitments	Total Exposure
AIG Altaris Health Partners, L.P.	Buyout	2003	*	*	*
Apollo Investment Fund IV, L.P.	Buyout	1998	\$ 15.3	\$ 0.2	\$ 15.5
Apollo Investment Fund V, L.P.	Buyout	2001	20.0	3.6	23.6
Apollo Investment Fund VI, L.P.	Buyout	2006	30.8	4.0	34.8
Apollo Overseas Partners VII, L.P.	Buyout	2008	22.3	29.0	51.3
Atlantic Equity Partners III, L.P.	Buyout	1999	9.8	0.1	9.9
Aurora Equity Partners II, LP	Buyout	1998	12.4	-	12.4
Avenue Special Situations Fund V, L.P.	Special Situation	2007	39.2	-	39.2
Bay City Capital IV, L.P.	Venture Capital	2005	9.9	5.1	15.0
BC European Capital VII	Buyout	2000	12.6	-	12.6
Blackstone Capital Partners III L.P.	Buyout	1997	13.6	2.2	15.8
Blackstone Capital Partners IV, L.P.	Buyout	2003	23.1	2.4	25.5
Blackstone Communications Partners I, L.P.	Buyout	2000	8.6	2.5	11.1
Boston Ventures Limited Partnership VI	Buyout	2000	8.7	1.7	10.3
Brentwood Associates Private Equity III, L.P.	Buyout	1999	11.1	-	11.1
Bruckmann, Rosser, Sherrill & Co. II, LP	Buyout	1999	14.3	0.3	14.6
Calera Capital Partners III, L.P.	Buyout	2001	*	*	*
Carlyle Partners V, L.P.	Buyout	2007	22.3	27.2	49.6
Catterton Partners IV	Buyout	2000	*	1.5	*
CCG Investment Fund, L.P.	Buyout	2000	*	*	*
Chisholm Partners IV, LP	Buyout	1999	12.2	0.5	12.7
Clayton, Dubilier & Rice Fund VI, L.P.	Buyout	1999	14.3	6.2	20.5
Clayton, Dubilier & Rice Fund VII Coinvest, L.P.	Buyout	2006	12.7	3.2	15.9
Clayton, Dubilier & Rice Fund VII, L.P.	Buyout	2005	50.2	4.1	54.3
Crestview Capital Partners	Buyout	2005	16.8	1.9	18.7
CVC European Equity Partners III LP	Buyout	2001	*	*	*
CVC European Equity Partners V, L.P.	Buyout	2008	*	*	*
Diamond Castle Partners IV, L.P.	Buyout	2005	20.9	7.4	28.3
Essex Woodlands Health Ventures Fund V, LP	Venture Capital	2000	10.0	-	10.0
Fenway Partners Capital Fund II, LP	Buyout	1998	13.7	1.1	14.9
FFC Partners II, L.P. (fka FFT Partners II)	Buyout	1999	11.5	0.8	12.3
Financial Technology Ventures II (Q), L.P.	Venture Capital	2001	19.8	0.3	20.0
Foundation Capital IV, L.P.	Venture Capital	2002	*	*	*
Friedman, Fleischer & Lowe Capital Partners, L.P.	Buyout	1999	27.9	2.1	30.1
Green Equity Investors IV, L.P.	Buyout	2003	21.4	0.6	22.0
Green Equity Investors V, LP	Buyout	2006	19.8	18.6	38.3
Highland Restoration Capital Partners Offshore, L.P.	Special Situation	2008	*	*	*
Industri Kapital 2000 Limited Partnership III	Buyout	2000	8.3	-	8.3
JPMorgan Global Investors, L.P.	Buyout	2001	*	*	*
KKR 1996 Fund, L.P.	Buyout	1997	22.4	-	22.4

<b>Top 75 Fund Investments by Investment NAV (continued)</b> (\$ in millions)					
<b>Fund</b>	<b>Asset Class</b>	<b>Vintage Year</b>	<b>Investment NAV**</b>	<b>Unfunded Commitments</b>	<b>Total Exposure</b>
KKR 2006 Fund, L.P.	Buyout	2006	75.1	22.6	97.7
KKR Millennium Fund, L.P.	Buyout	2002	64.1	-	64.1
Lone Star Fund VI (U.S.), L.P.	Special Situation	2008	11.7	3.0	14.7
M/C Venture Partners V, L.P.	Venture Capital	2000	23.1	0.2	23.4
Madison Dearborn Capital Partners IV, L.P.	Buyout	2000	9.9	-	9.9
Metalmark Capital Partners, L.P.	Buyout	2006	*	11.5	*
MPM BioVentures III, L.P.	Venture Capital	2002	8.4	0.7	9.1
Nautic Partners V, L.P. (fka Navis Partners V)	Buyout	2000	26.1	1.8	27.9
New Mountain Partners III, L.P.	Buyout	2007	8.7	15.0	23.8
OCM Opportunities Fund VI, L.P.	Special Situation	2005	15.1	-	15.1
OCM Opportunities Fund VII, L.P.	Special Situation	2007	8.2	-	8.2
OCM Opportunities Fund VIIb, L.P.	Special Situation	2008	24.9	2.0	26.9
OCM Principal Opportunities Fund III, L.P.	Special Situation	2004	13.7	-	13.7
OHA Leveraged Loan Portfolio, L.P.	Special Situation	2008	10.4	-	10.4
Polaris Venture Partners III, L.P.	Venture Capital	2000	12.2	0.4	12.6
Providence Equity Partners IV, L.P.	Buyout	2000	*	1.7	*
Quad-C Partners VI, LP	Buyout	2001	8.4	2.1	10.5
Seaport Capital Partners II, LP	Buyout	2000	10.5	0.7	11.2
Spectrum Equity Investors IV, L.P.	Buyout	2000	13.9	1.5	15.4
TCV IV, LP	Venture Capital	2000	16.1	0.8	16.9
Thomas H. Lee Equity Fund V, L.P.	Buyout	2001	25.5	1.0	26.5
Thomas H. Lee Equity Fund VI, L.P.	Buyout	2006	56.5	39.1	95.6
TL Ventures V, L.P.	Venture Capital	2000	*	*	*
TPG Asia V, L.P.	Buyout	2007	*	*	*
TPG Credit Strategies Fund, L.P.	Special Situation	2006	*	*	*
TPG Partners III, L.P.	Buyout	2000	*	*	*
TPG Partners VI, L.P.	Buyout	2008	*	*	*
Trident III, L.P.	Buyout	2004	29.2	0.6	29.8
Trident IV, LP.	Buyout	2006	21.9	5.1	27.0
U.S. Equity Partners II (Offshore), L.P.	Buyout	2002	11.0	9.9	20.9
Vestar Capital Partners IV, L.P.	Buyout	2000	10.7	0.5	11.2
Warburg Pincus Private Equity VIII, L.P.	Buyout	2001	21.5	-	21.5
Warburg, Pincus International Partners, L.P.	Buyout	2000	20.1	-	20.1
Welsh, Carson, Anderson & Stowe IX, L.P.	Buyout	2000	17.8	1.5	19.3
Welsh, Carson, Anderson & Stowe VIII, L.P.	Buyout	1998	13.4	-	13.4
Total for Top 75 Fund Investments			\$ 1,343.0	\$ 334.8	\$ 1,677.8
Total Investment Portfolio			\$ 1,847.6	\$ 611.2	\$ 2,458.8
% of Total Reflected in Top 75 Funds			73%	55%	68%
* The general partner of the fund has requested that fund level NAV and/or unfunded commitments not be disclosed					
** Investment NAV is calculated based on Conversus' valuation methodology (see Note 3 of the combined financial statements) and has not been prepared or approved by the relevant fund or its general partner.					

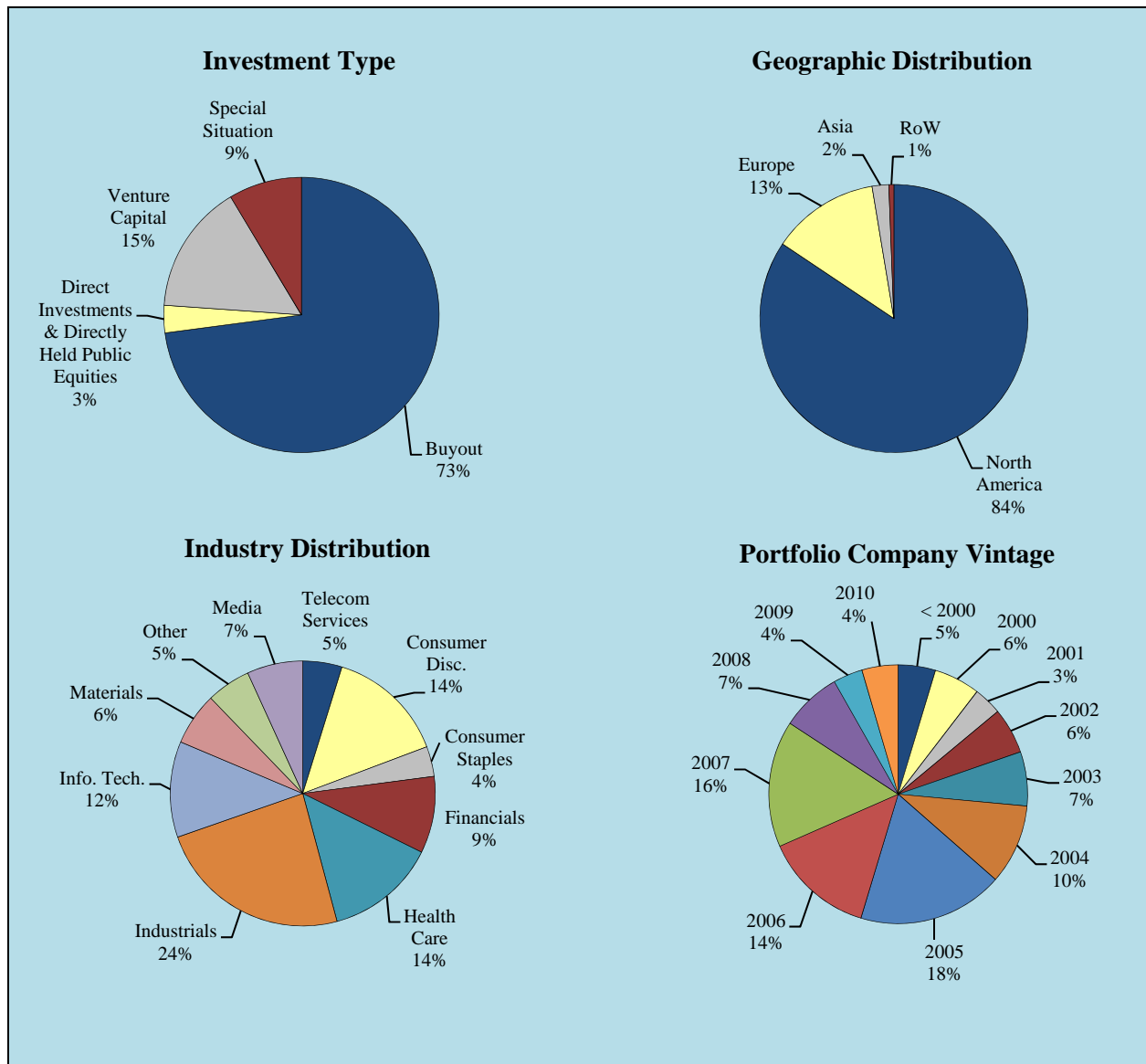
The following table displays our ten largest fund families based on investment NAV as of 30 September 2010. These funds represented 39% of our investment NAV and 30% of our unfunded commitments as of 30 September 2010.

Top 10 Fund Families by Investment NAV (\$ in millions)				
Fund Family	Investment NAV*	Unfunded Commitments	Total Exposure	
KKR	\$ 161.6	\$ 22.5	\$ 184.1	
Apollo	93.4	45.1	138.5	
Thomas H. Lee	82.0	40.1	122.1	
Clayton, Dubilier and Rice	80.4	20.6	101.0	
Oaktree (OCM Funds)	64.7	2.0	66.7	
Stone Point Capital (Trident Funds)	58.3	9.9	68.2	
Warburg Pincus	47.4	-	47.4	
Blackstone	47.3	7.0	54.3	
Leonard Green	44.4	22.3	66.7	
Nautic Partners	43.0	11.4	54.4	
Total for Top 10 Fund Families	\$ 722.5	\$ 180.9	\$ 903.4	
Total Investment Portfolio	\$ 1,847.6	\$ 611.2	\$ 2,458.8	
% of Total Reflected in Top 10 Fund Families	39%	30%	37%	
* Investment NAV is calculated based on Conversus' valuation methodology (see Note 3 of the combined financial statements) and has not been prepared or approved by the relevant fund or its general partner.				



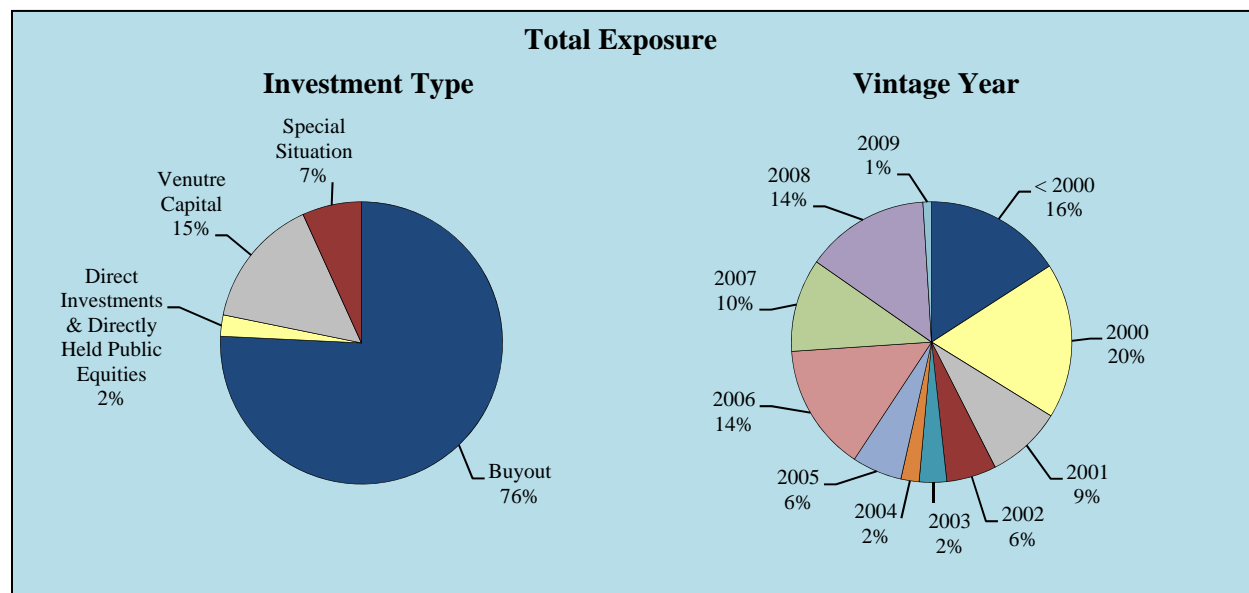
## PORTFOLIO DIVERSIFICATION – INVESTMENT NAV

The following charts display our investment NAV by investment type at the fund level and geographic distribution, industry distribution and vintage at the underlying portfolio company level as of 30 September 2010.



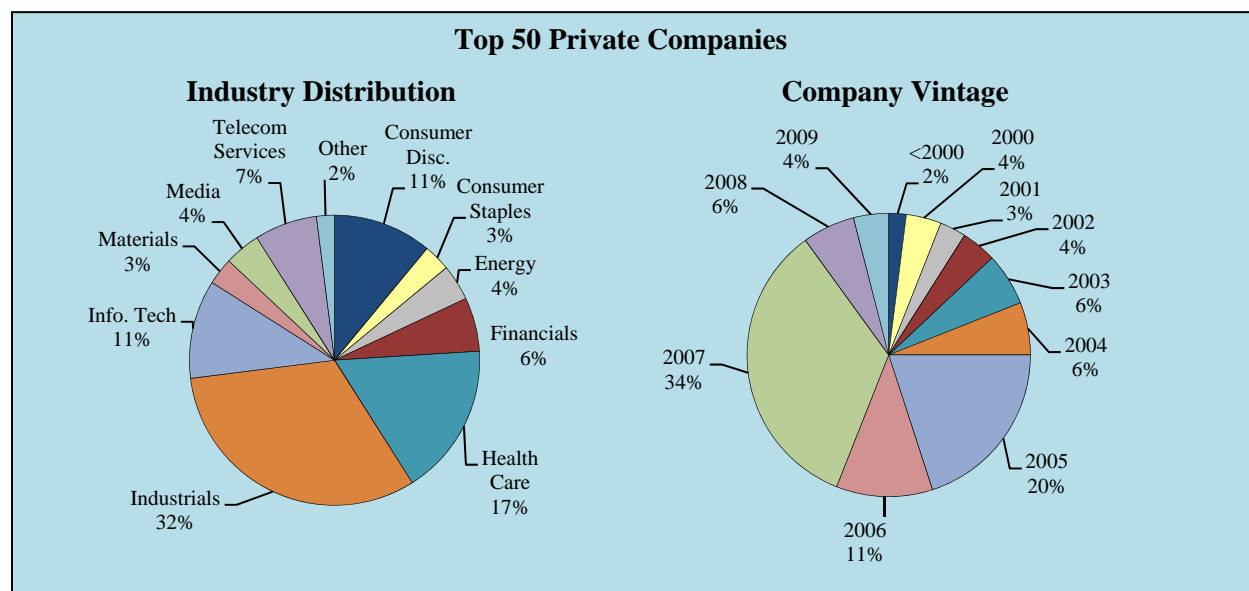
## PORTFOLIO DIVERSIFICATION – TOTAL EXPOSURE

The following charts display our fund investments based on total exposure (investment NAV plus unfunded commitments) at the fund level as of 30 September 2010.



## PORTFOLIO DIVERSIFICATION – TOP FIFTY PRIVATE COMPANIES

The following charts display our top 50 private company investments based on investment NAV as of 30 September 2010 by industry distribution and vintage. The Top 50 private company investments represented 25% of our investment NAV as of 30 September 2010.



## PORTFOLIO DIVERSIFICATION – INVESTMENTS

The following chart summarizes portfolio statistics calculated based on Conversus' 120 fund families as of 30 September 2010.

Investment NAV per Fund Family (\$ in millions)	< \$20	\$20 - \$50	> \$50
# of Fund Families	96	18	6

Top 10 Fund Families ● —————→ 39% of Investment NAV

Top 20 Fund Families ● —————→ 56% of Investment NAV

The following chart summarizes portfolio statistics calculated based on Conversus' 213 fund investments as of 30 September 2010.

Investment NAV per Fund (\$ in millions)	< \$10	\$10 - \$50	> \$50
# of Funds	155	54	4

Top 10 Funds ● —————→ 23% of Investment NAV

Top 50 Funds ● —————→ 60% of Investment NAV

The following chart summarizes portfolio statistics calculated at the portfolio company level for Conversus' 1,802 portfolio companies as of 30 September 2010.

Investment NAV per Portfolio Company (\$ in millions)	< \$5	\$5 - \$20	> \$20
# of Portfolio Companies	1,730	69	3

Top 10 Companies ● —————→ 11% of Investment NAV

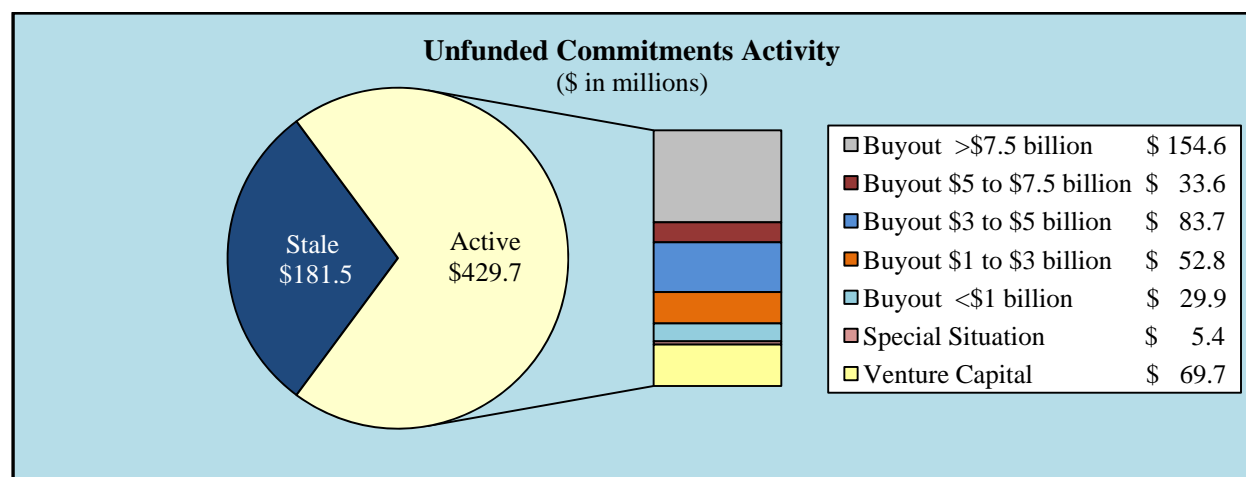
Top 50 Companies ● —————→ 30% of Investment NAV

## UNFUNDED COMMITMENTS

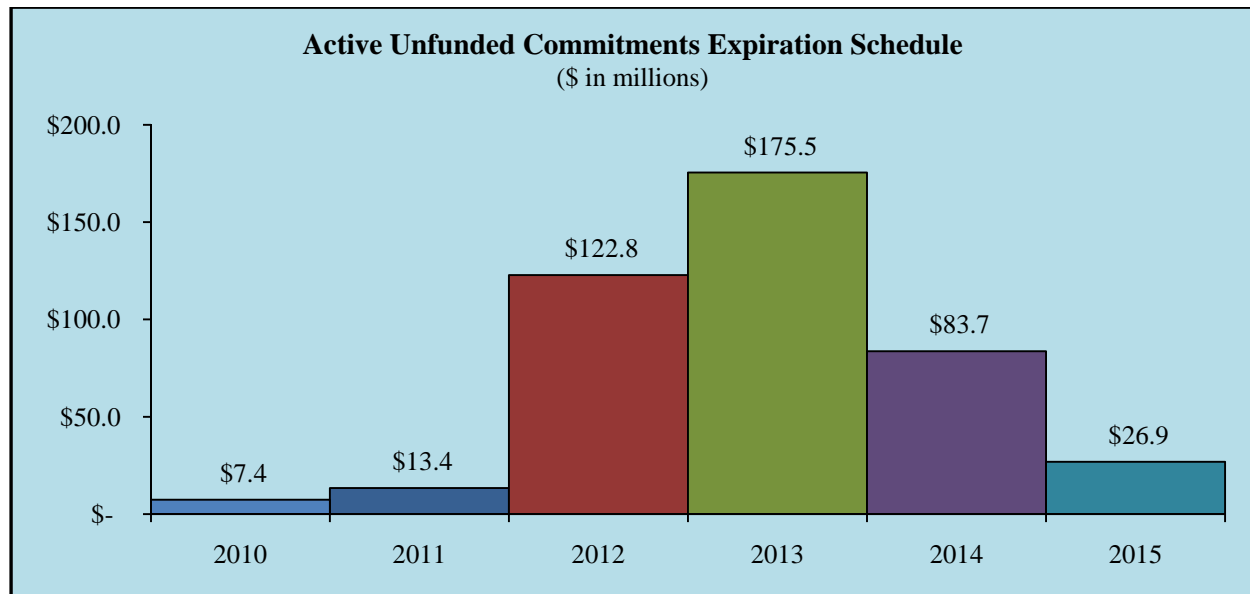
Total unfunded commitments were \$611.2 million as of 30 September 2010. The following table displays a summary of our unfunded commitment activity for the nine months ended 30 September 2010.

Unfunded Commitment Activity	
Unfunded Commitments as of 1 Jan 2010	\$ 731,727
Net Commitments Funded	(104,939)
Refunded Capital	6,380
FX and Other Adjustments	(22,005)
Unfunded Commitments as of 30 Sep 2010	<u>\$ 611,163</u>

Of the \$611.2 million of total unfunded commitments as of 30 September 2010, \$429.7 million represented active unfunded commitments, or commitments to funds that are still operating within the active investment periods defined by their limited partnership agreements, and \$181.5 million represented stale unfunded commitments, or commitments to funds operating beyond the defined investment period. In general, after an investment period ends, unless otherwise extended, unfunded commitments can only be called for investments in process, follow-on investments in existing portfolio companies or for management fees and expenses. The following chart displays a summary of active and stale unfunded commitments as of 30 September 2010.



Active unfunded commitments of \$429.7 million currently have investment periods lasting into 2015. Funds have the ability to request amendments to their limited partnership agreements to extend the investment period or to allow new investments beyond the previously agreed investment period. The following chart displays the year in which the investment period for active unfunded commitments ends, prior to any amendments, as of 30 September 2010.



## PUBLIC EQUITY SECURITIES

The table below lists our twenty largest public equity securities held either directly or indirectly through one or more of our private equity fund investments, as of 30 September 2010, based on investment NAV. These twenty public equity securities totaled \$194.7 million or 51.4% of our total public equity securities portfolio of \$378.7 million as of 30 September 2010.

In total, public equity securities held either directly or indirectly through one or more of our private equity fund investments, including derivatives, represented 20.0% of the total investment NAV as of 30 September 2010, while the top twenty positions listed below comprised 10.5% of the total investment NAV as of 30 September 2010.

Top 20 Public Equity Securities		
	Market Value	% of Total Publics
1 Dollar General	\$ 16,431	4.3%
2 Legrand	15,375	4.1
3 Rexel	12,962	3.4
4 MetroPCS	12,348	3.3
5 Warner Chilcott	12,075	3.2
6 Sally Beauty	12,071	3.2
7 NetFlix.com	11,281	3.0
8 Rockwood	11,205	3.0
9 PartnerRe	10,824	2.9
10 Kabel Deutschland	9,982	2.6
11 Amadeus Global Travel	8,992	2.4
12 Republic Services	8,514	2.2
13 Hertz	7,766	2.1
14 Hughes Communications	7,348	1.9
15 Alterra Capital	6,934	1.8
16 Charter Communications	6,415	1.7
17 Whole Foods Market	6,128	1.6
18 Burger King	6,061	1.6
19 Ancestry.com	6,060	1.6
20 Graham Packaging	5,912	1.6
Total Top 20 Public Equity Securities	\$ 194,682	51.4%
Total Public Equity Securities	\$ 378,698	
Derivative Market Value	\$ (8,600)	
Total Public Equity Securities and Derivative	\$ 370,098	
Total Public Equity Securities and Derivative Value as a % of Investment NAV	20.0%	

The table below lists the twenty-seven Conversus portfolio companies that completed IPOs during the nine months ended 30 September 2010. The companies had a combined market value of \$57.5 million as of 30 September 2010.

Conversus 2010 Portfolio Company IPOs				
	IPO Date	Market Value	2010 Distributions	
1	Alimera Sciences	Apr 10 \$ 167	\$	-
2	Amadeus Global Travel	Apr 10 8,992		1,979
3	Brenntag	Mar 10 2,774		328
4	Broadsoft	Jun 10 217		41
5	Calix Networks	Mar 10 1,013		-
6	Chr. Hansen	Jun 10 1,655		631
7	Douglas Dynamics	May 10 1,350		570
8	DynaVox	Apr 10 795		489
9	Envestment	Jul 10 446		-
10	Financial Engines	Mar 10 2,636		-
11	Graham Packaging	Feb 10 5,912		-
12	Green Dot	Jul 10 320		-
13	Kabel Deutschland	Mar 10 9,982		2,415
14	Maxlinear	Mar 10 640		-
15	Medica	Feb 10 602		82
16	MEG Energy	Jul 10 5,411		-
17	Meru Networks	Mar 10 75		-
18	Metals USA	Apr 10 4,115		-
19	Motricity	Jun 10 108		-
20	Noranda Aluminium	May 10 986		-
21	NXP	Aug 10 2,739		-
22	Promethean World	Mar 10 -		95
23	QuinStreet	Feb 10 955		-
24	RealPage	Aug 10 4,700		556
25	Smart Technology	Jul 10 159		146
26	Symetra Financial	Feb 10 540		-
27	Tiger Airways	Jan 10 255		206
Totals		\$ 57,542	\$	7,537



## CASH FLOW ACTIVITY

The maturity and quality of Conversus' diversified portfolio were demonstrated by our cash flows during the nine months ended 30 September 2010. During that time, our portfolio generated \$200.2 million of net positive portfolio cash flow with distributions of \$319.3 million and capital calls of \$119.1 million. For the quarter ended 30 September 2010, our portfolio generated \$47.7 million of net positive portfolio cash flow with distributions of \$99.6 million and capital calls of \$51.9 million.

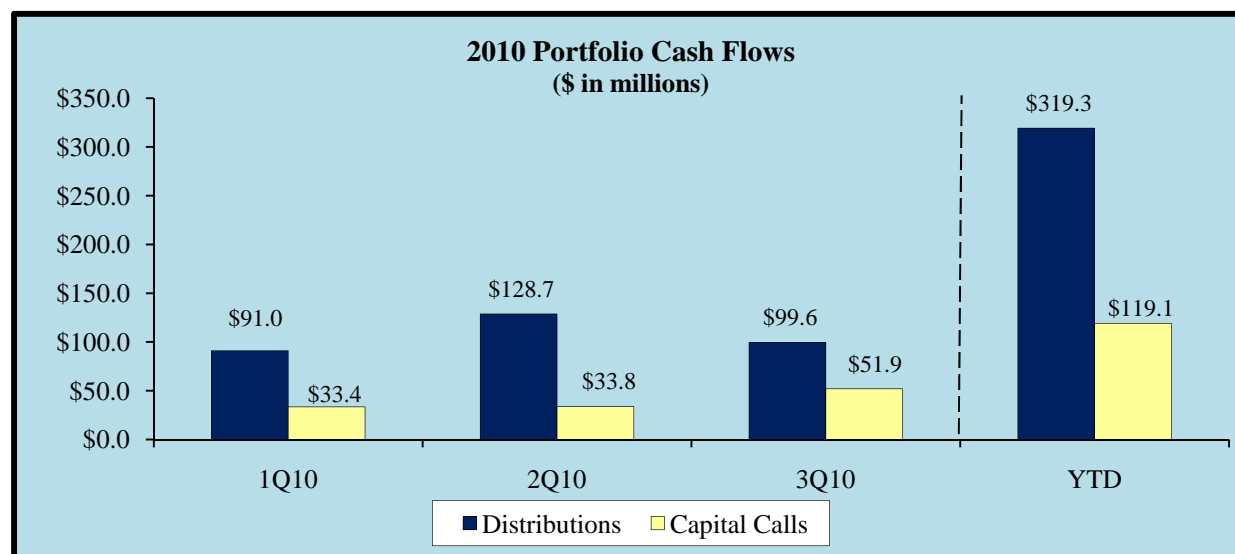
Although we have adopted a realization strategy, we continue to participate in new investments through our \$611.2 million of unfunded commitments, including \$429.7 million of active unfunded. We anticipate that much of the active unfunded will be called and deployed by our general partners coming out of the recent downturn over the next few years in an environment that we expect to be attractive.

For the nine months ended 30 September 2010, capital calls of \$119.1 million, which represented 16.3% of beginning of year unfunded commitments, consisted of \$105.0 million of calls for portfolio company investments and \$14.1 million for fund fees and expenses. For the quarter ended 30 September 2010, capital calls of \$51.9 million, which represented 7.9% of 30 June 2010 unfunded commitments, consisted of \$46.8 million of calls for portfolio company investments and \$5.1 million for fund fees and expenses.

Capital calls during the nine months ended 30 September 2010 included \$97.3 million for buyout funds, \$17.9 million for venture funds and \$3.9 million for special situation funds. Capital called by our fund investments came largely from more recent vintage year funds, with 77.4% of the calls coming from fund vintage years 2008 (35.4%), 2006 (25.4%) and 2007 (16.6%).

For the nine months and quarter ended 30 September 2010, Conversus received distributions of \$319.3 million and \$99.6 million, respectively, representing 16.7% and 5.5%, respectively, of beginning of period investment NAV. During the nine months ended 30 September 2010, buyout funds comprised 72.5% of the distributions, venture funds comprised 14.9% and special situation funds comprised 6.8% with the remaining 5.8% coming from sales of directly held public equities.

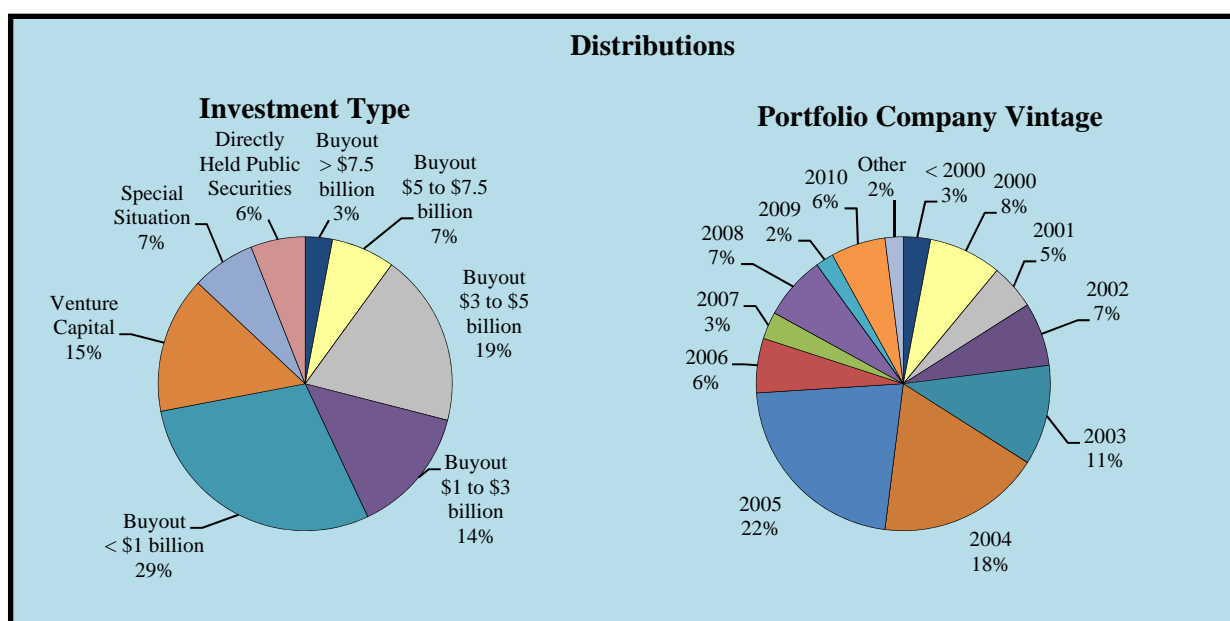
The industry sectors with the highest levels of distributions during the nine months accounted for 58.2% of total distributions and included Industrials (19.6%), Financials (15.3%), Media (12.2%) and Health Care (11.1%). The majority of distributions (58.1%) were from underlying portfolio company investments made in years 2005 (22.1%), 2004 (17.6%), 2003 (10.8%) and 2000 (7.6%).



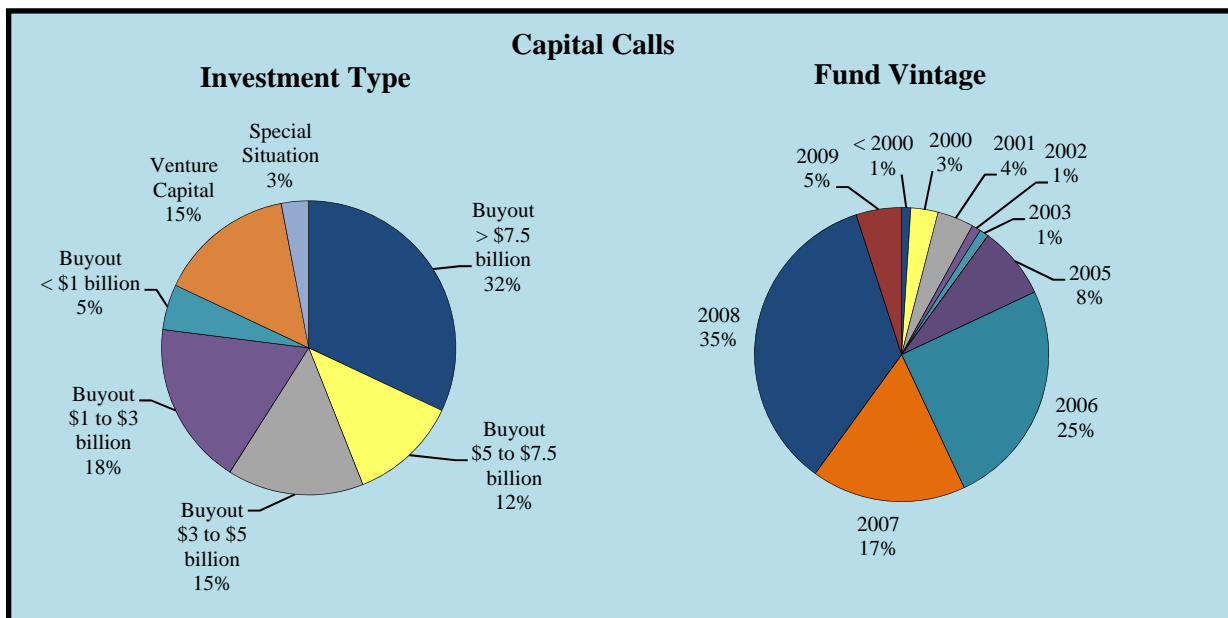
The following chart displays total investment activity for the quarter and nine months ended 30 September 2010.

Investment Activity		
	Quarter Ended 30 Sep 10	Nine Months Ended 30 Sep 10
Capital Calls:		
Capital Called for Investments	\$ 46,750	\$ 104,939
Capital Called for Fund Fees and Expenses	5,092	14,132
Total Capital Calls	<u>\$ 51,842</u>	<u>\$ 119,071</u>
Distributions:		
Return of Capital	\$ 52,991	\$ 216,953
Net Realized Gains *	37,433	76,328
Investment Income	7,104	19,652
Refunded Capital	2,077	6,380
Total Distributions	<u>\$ 99,605</u>	<u>\$ 319,313</u>
Realized Losses due to Non-cash Write-offs of Investments	<u>\$ 6,851</u>	<u>\$ 39,365</u>
* Excludes realized gains on stock distributions of \$488 and \$1,574, respectively		

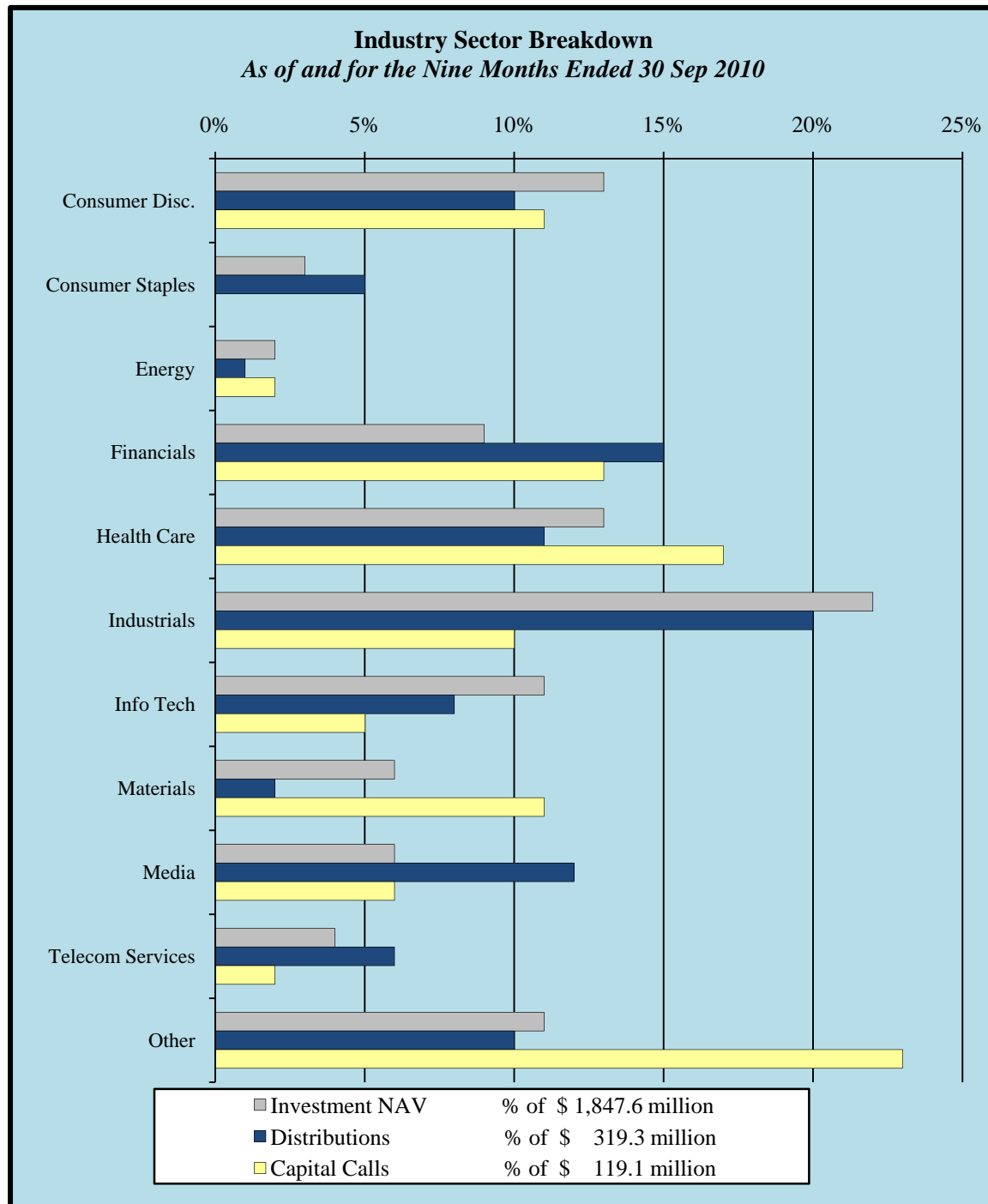
The following charts display distributions of \$319.3 million received during the nine months ended 30 September 2010 by investment type and portfolio company vintage.



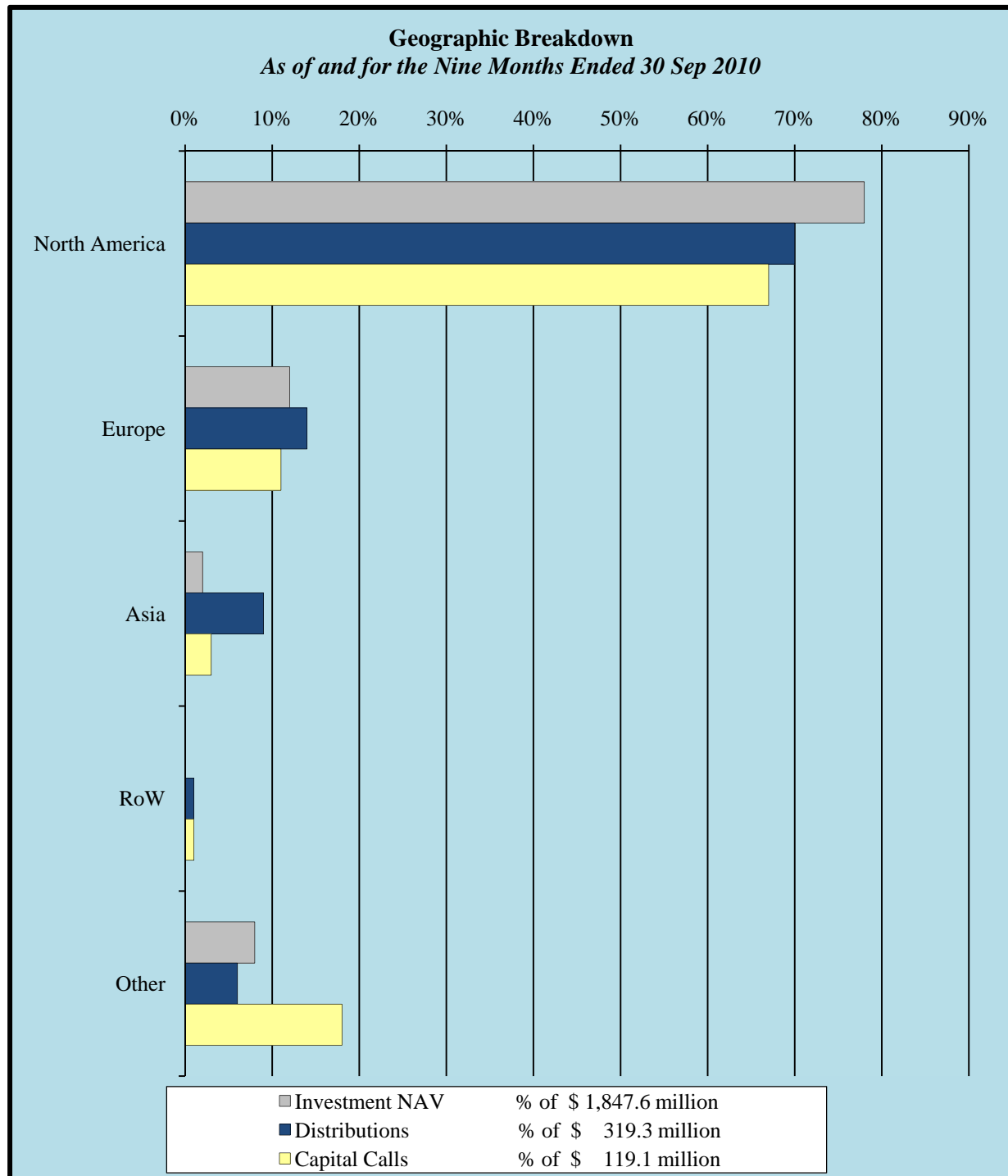
The following charts display capital calls of \$119.1 funded during the nine months ended 30 September 2010 by investment type and fund vintage.



The following charts display, by industry sector, the relative percentage of investment NAV as of 30 September 2010 and the relative percentages of distributions and capital calls for the nine months ended 30 September 2010. Portions of the investment NAV, capital calls and distributions are categorized as “Other.” This category includes: (i) other industries such as utilities and real estate (ii) unallocated cash flow activity for which we have not received adequate information from the general partners to allow for industry sector categorization (iii) activity in special situation and buyout funds related to debt investments or (iv) cash flow related to fund fees and expenses.



The following charts display, by geographic region, the relative percentage of investment NAV as of 30 September 2010 and the relative percentages of distributions and capital calls for the nine months ended 30 September 2010. Portions of the investment NAV, capital calls and distributions are categorized as “Other.” This category includes: (i) unallocated cash flow activity for which we have not received adequate information from the general partners to allow for geographic categorization (ii) activity in special situation and buyout funds related to debt investments or (iii) cash flow related to fund fees and expenses.



## MARKET OUTLOOK AND PORTFOLIO COMMENTARY

After a difficult second quarter in 2010, global stock markets rallied in the third quarter despite continued uncertainty about the U.S. and European economies. In the U.S., the S&P 500 gained 11.3% and the global MSCI EAFE index rebounded 16.6% in the quarter, pushing these indexes into positive territory for the year. The rallies occurred despite the continued shift of investors from equity mutual funds into bond and commodity funds. Treasury yields hitting new lows during the quarter further evidenced market unease.

M&A activity in the third quarter of 2010 surged 55% over the same period in 2009 and 26% over the second quarter of 2010 with \$759 billion of new deals signed globally according to Dealogic. The August M&A volume of \$288 billion represented the largest monthly level of activity since July 2008 and could signal that public companies holding record levels of cash relative to market capitalization are beginning to put the cash to work. Private equity firms also increased investment activity in the third quarter with announced buyouts totaling \$64 billion, 51% above the same quarter in 2009 and 36% above the second quarter of 2010. Although accelerating, this investment pace trails the average quarterly volumes of 2004 - 2006 and falls far short of the peak levels seen in 2007. New deal activity has been supported by continued strength in the leveraged loan market, which is on pace to exceed \$200 billion in new issuances in 2010, a 75% increase over the average of the past two years. In addition, the recent announcements of several multi-billion dollar transactions provide additional indications that the rate of new deal activity may continue to ramp up.

Despite the increase in deal activity, private equity fundraising levels continued to decline with \$36 billion raised globally in the third quarter. In comparison, firms were raising over \$100 billion per quarter during the 2006 - 2008 fundraising peak. Increased private equity deal activity, coupled with these anemic fundraising levels, has begun to reduce the substantial supply of private equity capital, which Conversus views as a positive dynamic for the market.

In contrast to deal activity, global private equity realizations slowed slightly in the third quarter of 2010 to \$8.9 billion from \$10.8 billion in the second quarter, but were still over four times the levels seen in the third quarter of 2009. High balances of corporate cash and the increasing availability of leverage are key drivers of an expected acceleration of realizations for the market in the medium-term. Consistent with the prior quarter, sponsor-to-sponsor deals represented approximately 10% of the value of all deals in the third quarter, up from 2% for the same period in 2009. Although many portfolios do not see net positive cash flows from the sponsor-to-sponsor deals, Conversus' mature portfolio has been a net beneficiary in 2010 by receiving 2.4 times the amount of distributions in comparison to calls from identified sponsor-to-sponsor activity. Dividend recapitalizations have also resurfaced in 2010 as a source of realizations. According to Thomson Reuters, \$5 billion of dividend recapitalizations occurred in the third quarter, the highest level since the \$12 billion of recapitalizations in the second quarter of the 2007 peak. However, the opportunity for a significant level of recapitalizations is limited by today's tighter credit environment.

Global IPO activity through the first three quarters of 2010 has already outpaced levels for the full year 2009, but remains well below pre-financial crisis levels. Although not a significant near-term generator of cash, IPOs are indicators of potential future distributions. In the third quarter, there were 272 global IPOs totaling \$52.4 billion with the bulk of global activity occurring in Asia. Conversus' portfolio experienced six IPOs in the third quarter, totaling \$13.8 million in NAV as of 30 September, the largest of which were MEG Energy, RealPage and NXP.

In conclusion, we perceive that increased M&A activity and firming credit markets benefitted private equity in the third quarter, and our portfolio posted strong performance in both NAV growth and cash flow. In the fourth quarter, mid-term elections in the U.S. may add an element of uncertainty to market conditions that appear to lack a firm direction. However, our portfolio includes a robust pipeline of exits

that have been announced but not closed and numerous filed IPOs. The ability of our managers to add value combined with the high quality of the underlying companies allows us to be optimistic regarding the portfolio's potential performance

## LIQUIDITY AND CAPITAL RESOURCES

We utilize leverage under our credit facility and employ an over-commitment strategy, and thus we are subject to the associated risks as explained in this report and in the combined financial statements.

The investments in our portfolio generate cash from time to time. This cash is in the form of distributions and dividends on equity investments, payments of interest and principal on fixed income investments and cash consideration received in connection with the realization of investments. We use our cash primarily to make investments, such as meeting capital calls, through the Investment Partnership and its subsidiaries, to pay our operating expenses and to repay debt.

Current and future liquidity depend primarily on cash distributions generated by the private equity fund investments, direct private equity co-investments and temporary investments that we make, capital contributions that we receive in connection with the issuance of additional units or other securities (if any) and borrowings under the credit facility.

Conversus LP depends on the Investment Partnership to distribute cash in a manner that allows it to meet its expenses as they become due. If Conversus LP does not receive cash distributions from the Investment Partnership or other entities in which Conversus LP has an interest, it may not be able to meet its expenses when they become due.

As of 30 September 2010, we had unfunded commitments of \$611.2 million, representing an over-commitment level of 33.1% (unfunded commitments as a percentage of investment NAV) compared with an over-commitment level of 38.4% as of 31 December 2009. Because we employ an over-commitment strategy when making investments in private equity funds, the amount of capital we have committed for future private equity investments may exceed our available cash at a given time. Any available cash that we hold is temporarily invested in accordance with our cash management policy, which provides liquidity for funding capital calls that may be made by the private equity funds to which we have made commitments.

Through cash flows from our portfolio and prudent portfolio management, we believe that our liquidity position is strong. As of 30 September 2010, we had a cash balance of \$26.4 million and total principal and interest outstanding of \$84.2 million under our credit facility with Citigroup (see Notes 6 and 13 of the combined financial statements). Public equity securities on our balance sheet and the related derivative as of 30 September 2010 represent an additional net \$4.7 million in potential liquidity. The \$365.4 million of public equities held by our general partners may, over time, be another source of liquidity. Consistent with the maturity profile of our portfolio, our \$611.2 million of unfunded commitments include \$181.5 million to funds that are beyond their investment period.

Our distributions exceeded capital calls by \$200.2 million in our portfolio during the first nine months of 2010, and our portfolio cash flows have been positive for each month in 2010. Driven by the maturity and quality of our portfolio, we believe that our distributions will continue to outpace calls, at least over the medium-term, assuming stable economic conditions. While estimating the timing and amount of portfolio cash flows for private equity funds includes an inherent level of uncertainty and we can make no assurances regarding our projections, we estimate that net positive portfolio cash flows in the fourth quarter of 2010 will be in the range of \$75 million to \$100 million, which would result in full year 2010 net positive portfolio cash flows of \$275 million to \$300 million. For 2011, based on the current portfolio, we estimate a net positive portfolio cash flow profile similar to 2010.



Given the uncertainty of these portfolio cash flows, we continue to be keenly focused on maintaining financial flexibility to participate in market recovery or weather market turmoil. In light of the recent extension of our credit facility through 2014, along with our best estimate of portfolio cash flows, we believe that Conversus currently has sufficient liquidity tools to comfortably navigate either scenario for the foreseeable future. In the event we return to growth mode and begin actively investing, we also believe that we will have adequate capacity to make substantial commitments to primary investments, secondary purchases and direct co-investments.

## NON-GAAP FINANCIAL MEASUREMENT

In evaluating our performance and results of operations, management reviews a financial measure, referred to as “adjusted NAV,” which is not determined in accordance with generally accepted accounting principles in the United States (“non-GAAP”). Non-GAAP measurements do not have any standardized meaning and are unlikely to be comparable to similar measures presented by other companies. As management believes the adjusted NAV to be useful and relevant in assessing our operational performance, we believe it is important to provide information with respect to this non-GAAP measurement so as to share this perspective of management. This non-GAAP financial measure should be considered in the context of our results reported under accounting principles generally accepted in the United States (“U.S. GAAP”).

The NAV per unit and the change in NAV per unit over time are important indicators of Conversus’ overall portfolio performance. U.S. GAAP requires that all capital transactions, including unit holder distributions, unit repurchases and unit issuances, be included in the reporting of NAV as well as in the number of shares outstanding, both of which are used to calculate the NAV per unit. Conversus’ management also considers performance on a purely operational basis and calculates adjusted NAV by removing these capital transactions and the related impact on the shares outstanding since our inception. The following table displays the reported NAV per unit, as well as management’s calculation of the adjusted NAV per unit.

Non-GAAP Financial Measurement - Adjusted NAV			
	As of 30 Sep 2010	As of 31 Dec 2009	Increase / (Decrease)
Net Asset Value, as reported	\$ 1,781,296	\$ 1,700,560	4.7%
Unitholder Distributions	36,623	36,623	-%
Units Repurchased	49,889	19,909	150.6%
New Units Issued	(4,046)	(4,046)	-%
Adjusted Net Asset Value	\$ 1,863,762	\$ 1,753,046	6.3%
Units Outstanding, as reported	\$ 70,355	\$ 72,367	(2.8)%
Units Repurchased	3,219	1,207	166.7%
New Units Issued	(172)	(172)	-%
Adjusted Units Outstanding	\$ 73,402	\$ 73,402	-%
NAV per Unit, as reported	\$ 25.32	\$ 23.50	7.7%
Adjusted NAV per Unit	\$ 25.39	\$ 23.88	6.3%

## FORWARD-LOOKING STATEMENTS AND CERTAIN RISKS

This report contains certain forward-looking statements and an investment in Conversus involves certain risks. In some cases, forward-looking statements can be identified by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will" and "would," or the negative of those terms or other comparable terminology. Forward-looking statements speak only as of the date of the document in which they are made and include statements relating to expectations, beliefs, forecasts, projections (which may include statements regarding future economic performance, and the financial condition, results of operations, liquidity, cash flows, investments, business, net asset value and prospects of Conversus), future plans and strategies and anticipated results thereof, anticipated events or trends and similar matters that are not historical facts.

By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future, and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Factors that could cause actual results to vary from our forward-looking statements and other risks and uncertainties to which Conversus is subject include, but are not limited to, the following:

- our investment strategy may not be successful in generating attractive rates of return or in otherwise meeting its objectives;
- changes in our financial condition, liquidity (including availability and cost of capital), cash flows and ability to meet our funding needs and satisfy our contractual obligations;
- the historical performance of our portfolio may not be indicative of its future performance;
- we may be unable to successfully identify and consummate value-enhancing transactions;
- we may be unable to obtain reliable access to new funds managed by top-performing managers;
- the ability of the funds and portfolio companies in which we invest to achieve their business, operating, financial, investment and other objectives, including realizations;
- changes in the relationship with the Investment Manager as our service provider;
- changes in the relationship between the Investment Manager and BAC, OHIM and each of their respective key investment professionals;
- our organizational, ownership and investment structure may create certain conflicts of interest and our units are non-voting securities;
- securities market conditions (including changes to applicable regulations, investor sentiment, and the trading price, discount to NAV, liquidity and volatility of our units);
- private equity market conditions (including our performance and the performance of the funds and companies in which we have invested, timing and size of cash distributions and capital calls and changes in our NAV);
- competitive conditions;
- international, national and regional political conditions (including potential regulatory and tax reform); and
- the risks, uncertainties and other factors discussed elsewhere in this report (including, but not limited to, the combined financial statements) and in the filings made with the AFM available on the Conversus website ([www.conversus.com](http://www.conversus.com)).

The foregoing is not a comprehensive list of the risks and uncertainties to which we are subject. Except as required by applicable law, we undertake no obligation to update or revise any forward-looking statements to reflect any change in our expectations, or any changes in events, conditions or circumstances on which any forward-looking statement is based. In light of these risks, uncertainties and assumptions, the events described by our forward-looking statements might not occur. We qualify any and all of our forward-looking statements by these cautionary factors.

## STATEMENT OF RESPONSIBILITY

Substantially all Conversus' investments are made through the Investment Partnership and its subsidiaries. Therefore, in order to present meaningful financial statements, the accounts of Conversus LP and the Investment Partnership have been combined as permitted under U.S. GAAP. All material balances between Conversus LP and the Investment Partnership have been eliminated.

We prepare combined financial statements on an annual, semi-annual and quarterly basis in accordance with U.S. GAAP. Our fiscal year ends on 31 December. We prepare our statements in accordance with U.S. GAAP rather than Dutch GAAP or International Financial Reporting Standards as permitted under Dutch and European law. In the instance where contradictory legislation is passed, Conversus could be required to prepare its combined financial statements on a basis other than U.S. GAAP.

The combined financial statements are the responsibility of the respective managing general partner, acting through its Board of Directors, of each of Conversus LP and the Investment Partnership (collectively, the "Managing General Partner"). The Managing General Partner is responsible for preparing combined financial statements which give a true and fair view of the state of affairs of Conversus and of the profit or loss of Conversus for the applicable period, in accordance with applicable Guernsey law, Dutch law and in accordance with U.S. GAAP. In preparing the combined financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the combined financial statements; and
- prepare the combined financial statements on the going concern basis unless it is inappropriate to assume that Conversus will continue in business.

The Directors confirm that they have complied with the above requirements in preparing these combined financial statements. The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Conversus. They are also responsible for safeguarding the assets of Conversus and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## PRINCIPAL RISKS

This financial report (including without limitation the combined financial statements) summarizes the principal risks affecting Conversus. Additional risks and uncertainties that are currently unknown or that are not believed to be principal risks may also adversely affect the results of operations or financial condition of Conversus. If any of the principal risks actually occur, the results of operations and financial condition of Conversus would likely be negatively impacted.

## COMPOSITION OF PORTFOLIO INVESTMENTS

(\$ in millions)			
<b>Total Portfolio</b>		<b># of Holdings</b>	<b>Estimated NAV</b>
(Includes Direct Co-investments and Public Equity Securities and Derivatives)		<b>227</b>	<b>\$1,847.6</b>
			<b>\$2,458.8</b>
<b>Total Funds</b>		<b># of Funds</b>	<b>Estimated NAV</b>
		<b>213</b>	<b>\$1,787.9</b>
			<b>\$2,399.1</b>
<b>Total Buyout Funds</b>		<b># of Funds</b>	<b>Estimated NAV</b>
		<b>138</b>	<b>\$1,347.0</b>
			<b>\$1,862.9</b>
<b>Buyout Funds &gt;\$7.5 billion</b>		<b># of Funds</b>	<b>Estimated NAV</b>
		<b>9</b>	<b>\$186.8</b>
			<b>\$341.4</b>
<i>Fund Name</i>	<i>Vintage Year</i>	<i>Fund Name</i>	<i>Vintage Year</i>
1 Apollo Investment Fund VI, L.P.	2006	6 KKR 2006 Fund, L.P.	2006
2 Apollo Overseas Partners VII, L.P.	2008	7 PAI Europe V, L.P.	2007
3 Bain Capital Fund X, L.P.	2008	8 Permira IV, L.P.	2006
4 Carlyle Partners V, L.P.	2007	9 TPG Partners VI, L.P.	2008
5 CVC European Equity Fund V, L.P.	2008		
<b>Buyout Funds \$5 - \$7.5 billion</b>		<b># of Funds</b>	<b>Estimated NAV</b>
		<b>8</b>	<b>\$180.0</b>
			<b>\$219.4</b>
<i>Fund Name</i>	<i>Vintage Year</i>	<i>Fund Name</i>	<i>Vintage Year</i>
1 Apax Europe V-A, LP	2001	5 KKR 1996 Fund, L.P.	1997
2 Blackstone Capital Partners IV, L.P.	2003	6 KKR Millennium Fund, L.P.	2002
3 Green Equity Investors V, LP	2006	7 New Mountain Partners III, L.P.	2007
4 J.P. Morgan Global Investors, L.P.	2001	8 Warburg Pincus Private Equity VIII, L.P.	2001
<b>Buyout Funds \$3 - \$5 billion</b>		<b># of Funds</b>	<b>Estimated NAV</b>
		<b>21</b>	<b>\$312.1</b>
			<b>\$425.0</b>
<i>Fund Name</i>	<i>Vintage Year</i>	<i>Fund Name</i>	<i>Vintage Year</i>
1 Apollo Investment Fund IV, L.P.	1998	12 PAI Europe IV-B, L.P.	2005
2 Apollo Investment Fund V, L.P.	2001	13 Silver Lake Partners II, L.P.	2004
3 BC European Capital VII	2000	14 Third Cinven Fund US No. 3 Limited Partnership	2002
4 Blackstone Capital Partners III L.P.	1997	15 Thomas H. Lee Equity Fund V, L.P.	2001
5 Carlyle Partners III, L.P.	2000	16 Thomas H. Lee Equity Fund VI, L.P.	2006
6 Clayton, Dubilier & Rice Fund VI, L.P.	1999	17 TPG Asia V, L.P.	2007
7 Clayton, Dubilier & Rice Fund VII, LP	2005	18 TPG Partners III, L.P.	2000
8 Clayton, Dubilier & Rice Fund VIII, L.P.	2008	19 Warburg Pincus Equity Partners, L.P.	1998
9 CVC European Equity Partners III LP	2001	20 Welsh, Carson, Anderson & Stowe IX, L.P.	2000
10 Lindsay Goldberg III-A, L.P.	2008	21 Welsh, Carson, Anderson & Stowe VIII, L.P.	1998
11 Madison Dearborn Capital Partners IV, L.P.	2000		
<b>Buyout Funds \$1 - \$3 billion</b>		<b># of Funds</b>	<b>Estimated NAV</b>
		<b>38</b>	<b>\$325.4</b>
			<b>\$430.3</b>
<i>Fund Name</i>	<i>Vintage Year</i>	<i>Fund Name</i>	<i>Vintage Year</i>
1 Alchemy Plan (BOA), L.P.	1997	20 Kelso Investment Associates VI, LP	1998
2 Apollo Investment Fund III, L.P.	1995	21 Madison Dearborn Capital Partners III, LP	1999
3 Bain Capital Fund VII, L.P.	2000	22 Metalmark Capital Partners, L.P.	2006
4 Blackstone Capital Partners II L.P. (CECC)	1993	23 Morgan Stanley Capital Partners III	1994
5 Blackstone Communications Partners I, L.P.	2000	24 Morgan Stanley Dean Witter Capital Partners IV, LP	1999
6 Capital Z Financial Services Fund II, L.P.	1998	25 Nautic Partners V, L.P. (fka Navis Partners V)	2000
7 Carlyle Europe Partners, L.P.	1998	26 Providence Equity Partners IV, L.P.	2000
8 Carlyle Partners II, L.P.	1994	27 Ripplewood Partners II/Side-by-Side Fund, L.P.	2002
9 Crestview Capital Partners	2005	28 Riverside Capital Appreciation Fund V, L.P.	2008
10 Crestview Partners II (Cayman), L.P.	2009	29 Second Cinven Fund US No. 2 Limited Partnership	1998
11 CVC European Equity Partners II LP	1998	30 Spectrum Equity Investors IV, L.P.	2000
12 Diamond Castle Partners IV, L.P.	2005	31 TowerBrook Investors III, L.P.	2008
13 EQT III (fka EQT Northern Europe)	2001	32 TPG Partners II, L.P.	1997
14 Green Equity Investors III, L.P.	1999	33 Trident II, L.P.	1999
15 Green Equity Investors IV, L.P.	2003	34 Trident III, L.P.	2004
16 Hicks, Muse, Tate & Furst Equity Fund V, L.P.	2000	35 Trident IV, LP	2006
17 Hicks, Muse, Tate & Furst Europe Fund, L.P.	1999	36 Vestar Capital Partners IV, L.P.	2000
18 Industri Kapital 2000 Limited Partnership III	2000	37 Warburg, Pincus International Partners, L.P.	2000
19 J.W. Childs Equity Partners III, L.P.	2002	38 Weston Presidio Capital IV, LP	2000

## Composition of Portfolio Investments (continued)

Buyout Funds \$500 million - \$1 billion		# of Funds	Estimated NAV	Total Exposure
		23	\$148.4	\$186.6
<i>Fund Name</i>	<i>Vintage Year</i>	<i>Fund Name</i>		<i>Vintage Year</i>
1 Asia Alternatives Capital Partners II, L.P.	2008	13 Code Hennessy & Simmons IV, L.P.		1999
2 Aurora Equity Partners II, LP	1998	14 Fenway Partners Capital Fund II, LP		1998
3 Bain Capital VII Coinvestment Fund, L.P.	2000	15 Industri Kapital 1997 Limited Partnership III		1997
4 Blum Strategic Partners, L.P.	1998	16 Irving Place Capital Partners II, L.P.		2000
5 Boston Ventures Limited Partnership V	1996	17 Littlejohn Fund II, L.P.		1999
6 Boston Ventures Limited Partnership VI	2000	18 Nautic VI-A, LP		2007
7 Brentwood Associates Private Equity III, L.P.	1999	19 Newbridge Asia III, L.P.		2000
8 Bruckmann, Rosser, Sherrill & Co. II, LP	1999	20 Parthenon Investors II, LP		2001
9 Calera Capital Partners III, L.P.	2001	21 Quad-C Partners VI, LP		2001
10 CCG Investment Fund, L.P.	2000	22 Vestar Capital Partners III, L.P.		1997
11 Charlesbank Equity Fund V, LP	2000	23 Warburg Pincus Ventures International		1997
12 Clayton, Dubilier & Rice Fund VII Coinvest, L.P.	2006			
Buyout Funds <\$500 million		# of Funds	Estimated NAV	Total Exposure
		39	\$194.3	\$260.2
<i>Fund Name</i>	<i>Vintage Year</i>	<i>Fund Name</i>		<i>Vintage Year</i>
1 AIG Altaris Health Partners, L.P.	2003	21 German Equity Partners II, LP		1999
2 Alta Communications IX, L.P.	2003	22 GMT Communications Partners II, LP		2000
3 American Industrial Partners Capital Fund III, L.P.	2000	23 Graham Partners Investments, LP		1999
4 Atlantic Equity Partners III, L.P.	1999	24 Great Hill Equity Partners II, LP		2001
5 Bain Capital VI Coinvestment Fund, LP	1998	25 Great Hill Equity Partners, LP		1999
6 Brazos Equity Fund, LP	2000	26 Greenbriar Equity Fund, LP		2000
7 Bruckmann, Rosser, Sherrill & Co. III, L.P.	2007	27 Harvest Partners IV, LP		2001
8 Calera Capital Partners II (Fremont Partners), L.P.	1997	28 ING Furman Selz Investors III LP		2000
9 CapStreet II, L.P. (fka Summit Capital II)	2000	29 Marathon Fund Limited Partnership IV		1999
10 Carousel Capital Partners II, LP	2001	30 Parthenon Investors, L.P.		1999
11 Catterton Partners IV	2000	31 Pouschine Cook Capital Partners, L.P.		1999
12 CEA Capital Partners USA, LP	1997	32 Quad-C Partners V, LP		1998
13 Centre Capital Investors III, L.P.	1999	33 Riverside Capital Appreciation 1998 Fund, LP		1998
14 Chisholm Partners IV, LP	1999	34 Seaport Capital Partners II, LP		2000
15 Euroknights IV US NO. 2, LP	2000	35 T3 Partners II, L.P.		2001
16 Europe Capital Partners IV, LP	1999	36 T3 Partners, L.P.		2000
17 Evercore Capital Partners, L.P.	1997	37 Trivest Fund III, LP		2000
18 FFC Partners I, LP (fka FFT Partners I)	1996	38 U.S. Equity Partners II (Offshore), L.P.		2002
19 FFC Partners II, L.P. (fka FFT Partners II)	1999	39 William Blair Capital Partners VII QP, L.P.		2001
20 Friedman, Fleischer & Lowe Capital Partners, L.P.	1999			

## Composition of Portfolio Investments (continued)

Venture Capital Funds		# of Funds	Estimated NAV	Total Exposure
		57	\$282.1	\$369.3
<i>Fund Name</i>	<i>Vintage Year</i>	<i>Fund Name</i>		<i>Vintage Year</i>
1 ABS Capital Partners IV, LP	2000	30 Morgenthaler Partners VI, LP		2000
2 APAX Excelsior VI, LP	2000	31 Morgenthaler Partners VII, LP		2001
3 Austin Ventures VII, L.P.	1999	32 MPM BioVentures III, L.P.		2002
4 Austin Ventures VIII, L.P.	2001	33 New Enterprise Associates 10, LP		2000
5 Azure Venture Partners I, LP	2000	34 New Enterprise Associates 13, L.P.		2009
6 Battery Ventures VI, L.P.	2000	35 New Enterprise Associates 9, LP		1999
7 Bay City Capital Fund V, L.P.	2007	36 Pinnacle Ventures Equity Fund II-O, L.P.		2008
8 Bay City Capital IV, L.P.	2005	37 Polaris Venture Partners III, L.P.		2000
9 Bay Partners X, L.P.	2001	38 Polaris Venture Partners IV, L.P.		2002
10 Essex Woodlands Health Ventures Fund IV, LP	1998	39 Redpoint Ventures II, LP		2000
11 Essex Woodlands Health Ventures Fund V, LP	2000	40 RRE Ventures III-A, LP		2001
12 Essex Woodlands Health Ventures VIII-A, L.P.	2008	41 Sigma Partners 6, L.P.		2001
13 Financial Technology Ventures (Q), LP	1998	42 Sigma Partners IV, L.P.		1998
14 Financial Technology Ventures II (Q), L.P.	2001	43 Sigma Partners V, L.P.		1999
15 Foundation Capital Fund III, L.P.	2000	44 Spectrum Equity Investors III, L.P.		1999
16 Foundation Capital IV, L.P.	2002	45 TA Associates Advent VIII		1997
17 Foundation Capital Leadership Fund, L.P.	2000	46 TA IX, L.P.		2000
18 FT Ventures III, L.P.	2007	47 TCV III (Q), L.P.		1999
19 Index Ventures Growth I, LP	2008	48 TCV IV, LP		2000
20 Institutional Venture Partners XI, L.P.	2005	49 TCV VII(A), L.P.		2008
21 InterWest Partners VII, L.P.	1999	50 TL Ventures III, L.P.		1997
22 InterWest Partners VIII, L.P.	2000	51 TL Ventures IV, L.P.		1999
23 InterWest Partners X, L.P.	2008	52 TL Ventures V, L.P.		2000
24 Lighthouse Capital Partners V, L.P.	2002	53 TL Ventures VII, L.P.		2008
25 Lightspeed Venture Partners VIII, L.P.	2008	54 U.S. Venture Partners VI, L.P.		1999
26 M/C Venture Partners V, L.P.	2000	55 U.S. Venture Partners VIII, L.P.		2001
27 Meritech Capital Partners II L.P.	2000	56 U.S. Venture Partners X, L.P.		2008
28 Morgan Stanley Dean Witter Venture Partners IV, L.P.	1999	57 WPG Venture Associates IV		1997
29 Morgan Stanley Venture Partners 2002 Fund, L.P.	2002			
Special Situation Funds		# of Funds	Estimated NAV	Total Exposure
		18	\$158.8	\$166.9
<i>Fund Name</i>	<i>Vintage Year</i>	<i>Fund Name</i>		<i>Vintage Year</i>
1 Avenue Special Situations Fund II, L.P.	2000	10 OCM Opportunities Fund VI, L.P.		2005
2 Avenue Special Situations Fund III, L.P.	2002	11 OCM Opportunities Fund VII, L.P.		2007
3 Avenue Special Situations Fund IV, L.P.	2006	12 OCM Opportunities Fund VIIb, L.P.		2008
4 Avenue Special Situations Fund V, L.P.	2007	13 OCM Principal Opportunities Fund III, L.P.		2004
5 BIA Digital Partners, LP	2001	14 OCM Principal Opportunities Fund, L.P.		1996
6 Gleacher Mezzanine Fund I, LP	2001	15 OHA Leveraged Loan Portfolio, L.P.		2008
7 Highland Restoration Capital Partners Offshore, L.P.	2008	16 TA Subordinated Debt Fund L.P.		2000
8 Lone Star Fund VI (U.S.), L.P.	2008	17 TPG Credit Strategies Fund, L.P.		2006
9 OCM Opportunities Fund V, L.P.	2004	18 WCAS Capital Partners III, L.P.		1997
Direct Co-investments		# of Holdings	Estimated NAV	Total Exposure
		3	\$55.0	\$55.0
Public Equity Securities and Derivatives		# of Holdings	Estimated NAV	Total Exposure
		11	\$4.7	\$4.7
<b>Notes:</b>				
Total Exposure equals Investment NAV plus unfunded commitments				
Vintage year is the earlier of the first capital call or the date the fund began operations				

## DIRECTORS, ADVISORS AND KEY INFORMATION

<p><b>Independent Board of Directors</b>                  Paul G. Guilbert (Chairman)                  Laurance R. (Laurie) Hoagland, Jr.,                  Kathryn A. Matthews                  Dr. Per Johan Strömberg</p> <p><b>Non-Voting Advisors</b>                  J. Taylor Crandall                  James D. Forbes</p> <p>The address of each person named above is:                  c/o Conversus GP, Limited., Trafalgar Court, Les                  Banques, St. Peter Port, Guernsey GY1 3QL,                  Guernsey, Channel Islands.</p>	<p><b>Investor Information</b>                  Exchange: Euronext Amsterdam                  Trading symbol: CCAP                  Admission date: 29 June 2007                  Currency: USD                  Bloomberg: CCAP NA                  Reuters: CCAP.AS                  Google Finance: AMS:CCAP</p>
<p><b>Registered Office</b>                  Conversus Capital, L.P                  c/o Conversus GP, Limited                  Trafalgar Court, Les Banques                  St. Peter Port, Guernsey, GY1 3QL,                  Channel Islands                  ccap@conversus.com                  Tel: +44 1481 745 175                  Fax: +44 1481 745 176</p>	<p><b>Independent Accountants</b>                  PricewaterhouseCoopers CI LLP                  Royal Bank Place                  1 Glatigny Esplanade                  St. Peter Port, Guernsey, GY1 4ND,                  Channel Islands                  Tel: +44 1481 752 000                  Fax: +44 1481 752 001</p>
<p><b>Investment Manager</b>                  Conversus Asset Management, LLC                  190 South LaSalle Street, Suite 1500                  Chicago, Illinois, 60603                  Tel: +1 312 261 9700                  Fax: +1 312 261 9701</p> <p>101 South Tryon Street, Suite 2440                  Charlotte, North Carolina, 28280                  Tel: +1 704 307 4865                  Fax: +1 704 375 2004</p>	<p><b>Independent Valuation Firm</b>                  Duff and Phelps                  55 East 52nd Street, 31st Floor                  New York, NY 10055                  Attention: Paul J. Viscio, Managing Director                  Tel: +1 212 871 6267                  Fax: +1 212 523 0854                  e-mail: pj.viscio@duffandphelps.com</p>



<b>Depository Bank</b> The Bank of New York 101 Barclay Street, 22 West New York, New York 10286 Attention: Conversus Capital, L.P. Tel: +1 212 815 4502 or +1 212 815 2715 Fax: +1 212 571 3050	<b>Paying Agent</b> Royal Bank of Scotland N.V. Global Banking and Markets Richard van Etten Gustav Mahlerlaan 10 (HQ3130) 1082 PP Amsterdam The Netherlands Tel: +31 20 464 3771 Fax: +31 20 628 0004
<b>Fund Administrator</b> Northern Trust Trafalgar Court, Les Banques St. Peter Port, Guernsey GY1 3QL Channel Islands Tel: +44 1481 745 406	
<b>Investor Relations Contacts</b> Tim Smith Chief Financial Officer Conversus GP, Limited Trafalgar Court, Les Banques St. Peter Port, Guernsey GY1 3QL Channel Islands Tel: +44 1481 745 175 Fax: +44 1481 745 176 e-mail: tim.smith@conversus.com	Steve Hall Investor Relations Conversus Capital, L.P. e-mail: steve.hall@conversus.com
<b>Public Relations Contact</b> Brian Ruby ICR, Inc. e-mail: brian.ruby@icrinc.com	
<b>Joint Corporate Brokers</b> J.P. Morgan Cazenove Limited William Simmonds 10 Aldermanbury London EC2V 7RF England Tel: +44 2071 554 579	RBS Hoare Govett Limited Gary Gould or Stuart Klein 250 Bishopsgate London EC2M 4AA England Tel: +44 2076 788 605





## **CONVERSUS CAPITAL, L.P.**

### **COMBINED FINANCIAL STATEMENTS (UNAUDITED)**

*For the nine months ended 30 September 2010*

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## Report of the Independent Accountants

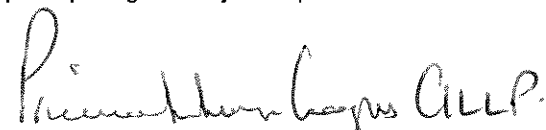
To the Board of Directors of the General Partner and partners of Conversus Capital, L.P.

We have reviewed the accompanying combined statement of net assets of Conversus Capital, L.P. and Conversus Investment Partnership, L.P. (collectively "Conversus"), including the combined condensed schedule of investments as of September 30, 2010, and the related combined statements of operations for the quarter and nine months period ended September 30, 2010, the combined statements of changes in net assets and combined statement of cash flows for the nine months ended September 30, 2010, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the responsibility of management and the General Partner of Conversus.

A review consists principally of inquiries of Conversus' personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

This report has been prepared for and only for the General Partner and partners of Conversus as a body, and for no other purpose. We do not accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Based on our review, we are not aware of any material modifications that should be made to the accompanying combined interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.



PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands

October 22, 2010

## **COMBINED STATEMENTS OF NET ASSETS**

*As of 30 September 2010 and 31 December 2009*

*(US\$ in thousands except for per unit amounts)*

	<b>30 Sep 2010 (Unaudited)</b>	<b>31 Dec 2009 (Audited)</b>
<b>Assets</b>		
Investments, at fair value <i>(Note 3)</i> (cost \$1,879,748 as of 30 Sep 2010; \$1,996,580 as of 31 Dec 2009)	\$ 1,856,222	\$ 1,912,192
Cash and cash equivalents	26,446	32,313
Receivables and prepaid expenses	4,457	3,087
<b>Total Assets</b>	<b>1,887,125</b>	<b>1,947,592</b>
<b>Liabilities</b>		
Management fees payable <i>(Note 2)</i>	4,315	4,553
Derivative instrument <i>(Note 5)</i>	8,600	4,620
Notes and interest payable <i>(Note 6)</i>	84,244	229,004
Other	8,670	8,855
<b>Total Liabilities</b>	<b>105,829</b>	<b>247,032</b>
<b>NET ASSETS</b>	<b>\$ 1,781,296</b>	<b>\$ 1,700,560</b>
<b>Net Assets</b>		
General Partners' capital	\$ -	\$ -
Limited Partners' capital (73,530 units issued and 70,355 units outstanding as of 30 Sep 2010; 73,530 units issued and 72,367 units outstanding as of 31 Dec 2009)	1,830,153	1,719,437
Treasury units <i>(Note 7)</i> (3,175 units as of 30 Sep 2010; 1,163 units as of 31 Dec 2009)	(48,857)	(18,877)
<b>NET ASSETS</b>	<b>\$ 1,781,296</b>	<b>\$ 1,700,560</b>
<b>NET ASSET VALUE PER UNIT OUTSTANDING</b>	<b>\$ 25.32</b>	<b>\$ 23.50</b>

**The accompanying notes are an integral part of the combined financial statements.**

## **COMBINED STATEMENTS OF OPERATIONS**

*For the quarter and nine months ended 30 September 2010*

*(US\$ in thousands except for per unit amounts)*

*(Unaudited)*

	<b><u>Quarter ended 30 Sep 2010</u></b>	<b><u>Nine months ended 30 Sep 2010</u></b>
<b>Investment Income</b>		
Dividends	\$ 4,960	\$ 14,358
Interest and other income	2,146	5,303
<b>Total Investment Income</b>	<u>7,106</u>	<u>19,661</u>
<b>Expenses</b>		
Fund fees and expenses	4,722	14,547
Management fees	5,394	16,341
Interest	763	2,435
Professional service fees	1,327	4,212
Personnel	1,453	4,661
Public company costs	648	1,836
Other general and administrative	1,702	2,965
<b>Total Expenses</b>	<u>16,009</u>	<u>46,997</u>
Management fees waived	(1,079)	(3,268)
<b>Total Expenses, Net of Fees Waived</b>	<u>14,930</u>	<u>43,729</u>
<b>Net Investment Loss</b>	<u>(7,824)</u>	<u>(24,068)</u>
<b>Net Realized Gains and Net Change in Unrealized Depreciation on Investments</b>		
Net realized gains on investments	37,921	77,902
Net change in unrealized depreciation on investments	32,616	56,882
<b>Net Realized Gains and Net Change in Unrealized Depreciation on Investments</b>	<u>70,537</u>	<u>134,784</u>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u><u>\$ 62,713</u></u>	<u><u>\$ 110,716</u></u>
<b>GAIN PER UNIT OUTSTANDING</b>	<u><u>\$ 0.88</u></u>	<u><u>\$ 1.54</u></u>

The accompanying notes are an integral part of the combined financial statements.

## **COMBINED STATEMENT OF CHANGES IN NET ASSETS**

*For the nine months ended 30 September 2010*

*(US\$ in thousands and Unaudited)*

	<b><u>Nine months ended 30 Sep 2010</u></b>
<b>Increase in net assets resulting from operations</b>	
Net investment loss	\$ (24,068)
Net realized gains on investments	77,902
Net change in unrealized depreciation on investments	<u>56,882</u>
Net increase in net assets resulting from operations	110,716
<b>Decrease in net assets resulting from capital transactions</b>	
Treasury unit purchases	<u>(29,980)</u>
Net decrease in net assets resulting from capital transactions	(29,980)
<b>NET INCREASE IN NET ASSETS</b>	<b><u>80,736</u></b>
<b>NET ASSETS AT BEGINNING OF PERIOD</b>	<b>1,700,560</b>
<b>NET ASSETS AT END OF PERIOD</b>	<b><u>\$ 1,781,296</u></b>

**The accompanying notes are an integral part of the combined financial statements.**

## **COMBINED STATEMENT OF CASH FLOWS**

*For the nine months ended 30 September 2010*

*(US\$ in thousands and Unaudited)*

	<b>Nine months ended 30 Sep 2010</b>
<b>Cash flows from operating activities</b>	
Net increase in net assets resulting from operations	\$ 110,716
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Net realized gains on investments	(77,902)
Net change in unrealized depreciation on investments	(56,882)
Capital Calls	(98,547)
Distributions	293,281
Changes in operating assets and liabilities:	
Net increase in receivables and prepaid expenses	(1,370)
Net decrease in management fees payable	(238)
Net decrease in interest and other payables	(6,945)
Net cash provided by operating activities	<u>162,113</u>
<b>Cash flows from financing activities</b>	
Purchases of treasury units	(29,980)
Issuances of notes	20,000
Repayments of notes	(158,000)
Net cash used in financing activities	<u>(167,980)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b><u>(5,867)</u></b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>32,313</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>\$ 26,446</u></b>
<b>Supplemental cash flow disclosure</b>	
Cash paid for interest	\$ 9,195
Cash paid for taxes	\$ 3,296
<b>Supplemental non-cash flow disclosure</b>	
In-kind public equity security distributions received	\$ 17,095

**The accompanying notes are an integral part of the combined financial statements.**

## COMBINED CONDENSED SCHEDULE OF INVESTMENTS

As of 30 September 2010  
(US\$ in thousands and Unaudited)

	Cost	Fair Value	% of Net Assets	Unfunded Commitments
<b>FUND INVESTMENTS</b>				
<b>North America</b>				
Buyout	\$ 1,245,635	\$ 1,219,901	68.5%	\$ 451,254
Venture Capital	301,399	280,411	15.7	85,988
Special Situation	126,900	158,846	8.9	8,053
<b>Total North America</b>	<b>1,673,934</b>	<b>1,659,158</b>	<b>93.1</b>	<b>545,295</b>
<b>Europe, Asia and RoW</b>				
Buyout	128,294	127,070	7.1	64,593
Venture Capital	1,633	1,656	0.1	1,275
<b>Total Europe, Asia and RoW</b>	<b>129,927</b>	<b>128,726</b>	<b>7.2</b>	<b>65,868</b>
<b>Total Fund Investments</b>	<b>1,803,861</b>	<b>1,787,884</b>	<b>100.3</b>	<b>611,163</b>
<b>DIRECT INVESTMENTS <sup>(1)</sup></b>				
<b>Direct Co-Investments</b>				
Industrials	35,372	38,742	2.2	-
Telecommunication Services	25,000	16,250	0.9	-
<b>Total Direct Co-Investments</b>	<b>60,372</b>	<b>54,992</b>	<b>3.1</b>	<b>-</b>
<b>Publicly Traded Equity Securities <sup>(2)</sup></b>				
Consumer Discretionary	555	519	0.0	-
Energy	461	365	0.0	-
Financials	4,860	5,274	0.3	-
Health Care	289	250	0.0	-
Industrials	8,246	5,987	0.4	-
Information Technology	88	83	0.0	-
Materials	532	412	0.0	-
Utilities	484	456	0.0	-
<b>Total Publicly Traded Equity Securities</b>	<b>15,515</b>	<b>13,346</b>	<b>0.7</b>	<b>-</b>
<b>Derivative Instrument</b>	<b>-</b>	<b>(8,600)</b>	<b>-0.4</b>	<b>-</b>
<b>Total Direct Investments</b>	<b>75,887</b>	<b>59,738</b>	<b>3.4</b>	<b>-</b>
<b>TOTAL</b>	<b>\$ 1,879,748</b>	<b>\$ 1,847,622</b>	<b>103.7%</b>	<b>\$ 611,163</b>

<sup>(1)</sup> Industry classifications are determined at the individual portfolio company level and are based on the North American Industry Classification System ("NAICS").

<sup>(2)</sup> Publicly traded equity securities represent equity security distributions from fund investments and direct public equity investments.

The accompanying notes are an integral part of the combined financial statements.



## COMBINED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

As of 31 December 2009

(US\$ in thousands and Audited)

	Cost	Fair Value	% of Net Assets	Unfunded Commitments
<b>FUND INVESTMENTS</b>				
<b>North America</b>				
Buyout	\$ 1,320,170	\$ 1,226,620	72.1%	\$ 531,716
Venture Capital	313,779	299,649	17.6	100,842
Special Situation	141,174	170,019	10.0	11,172
<b>Total North America</b>	<b>1,775,123</b>	<b>1,696,288</b>	<b>99.7</b>	<b>643,730</b>
<b>Europe, Asia and RoW</b>				
Buyout	142,957	152,865	8.9	85,951
Venture Capital	1,059	881	0.1	2,046
<b>Total Europe, Asia and RoW</b>	<b>144,016</b>	<b>153,746</b>	<b>9.0</b>	<b>87,997</b>
<b>Total Fund Investments</b>	<b>1,919,139</b>	<b>1,850,034</b>	<b>108.7</b>	<b>731,727</b>
<b>DIRECT INVESTMENTS <sup>(1)</sup></b>				
<b>Direct Co-Investments</b>				
Industrials	35,371	31,863	1.9	-
Telecommunication Services	25,000	16,250	0.9	-
<b>Total Direct Co-Investments</b>	<b>60,371</b>	<b>48,113</b>	<b>2.8</b>	<b>-</b>
<b>Publicly Traded Equity Securities <sup>(2)</sup></b>				
Energy	573	315	0.0	-
Financials	6,213	5,608	0.3	-
Health Care	315	245	0.0	-
Industrials	8,742	6,894	0.6	-
Information Technology	681	563	0.0	-
Materials	546	420	0.0	-
<b>Total Publicly Traded Equity Securities</b>	<b>17,070</b>	<b>14,045</b>	<b>0.9</b>	<b>-</b>
<b>Derivative Instrument</b>	<b>-</b>	<b>(4,620)</b>	<b>(0.2)</b>	<b>-</b>
<b>Total Direct Investments</b>	<b>77,441</b>	<b>57,538</b>	<b>3.5</b>	<b>-</b>
<b>TOTAL</b>	<b>\$ 1,996,580</b>	<b>\$ 1,907,572</b>	<b>112.2%</b>	<b>\$ 731,727</b>

<sup>(1)</sup> Industry classifications are determined at the individual portfolio company level and are based on the NAICS.

<sup>(2)</sup> Publicly traded equity securities represent equity security distributions from fund investments and direct public equity investments.

The accompanying notes are an integral part of the combined financial statements.

## **COMBINED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)**

*As of 30 September 2010 and 31 December 2009*

*(US\$ in thousands)*

	<b>30 Sep 2010</b>		<b>31 Dec 2009</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Fair Value</b>	<b>% of Total Net Assets</b>	<b>Fair Value</b>	<b>% of Total Net Assets</b>
<b>Industry <sup>(1)</sup></b>				
Industrials	\$ 405,327	22.8%	\$ 419,586	24.7%
Consumer Discretionary	246,041	13.8	229,018	13.5
Health Care	229,862	12.9	218,629	12.9
Information Technology	198,639	11.2	201,589	11.8
Financials	159,407	8.9	181,062	10.6
Media	115,847	6.5	130,306	7.7
Materials	109,433	6.1	90,182	5.3
Other Industries	91,806	5.2	92,087	5.4
Telecommunication Services	81,495	4.6	98,404	5.8
Consumer Staples	62,406	3.5	74,200	4.4
Other (net other assets)	147,359	8.2	172,509	10.1
<b>TOTAL</b>	<b>\$ 1,847,622</b>	<b>103.7%</b>	<b>\$ 1,907,572</b>	<b>112.2%</b>

<sup>(1)</sup> Industry classifications are determined on a look-through basis at the individual portfolio company level and are based on the NAICS.

**The accompanying notes are an integral part of the combined financial statements.**

## **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

### **1. Business Overview**

Conversus Capital, L.P. (“Conversus LP”) is a Guernsey limited partnership established on 29 May 2007. Conversus LP is composed of a general partner, Conversus GP, Limited (“Conversus GP”), a Guernsey limited company which holds 100% of the voting interests of Conversus LP, and the limited partners of Conversus LP, represented by common units that are non-voting. The limited partnership interests in Conversus LP trade on the regulated market of Euronext Amsterdam by NYSE Euronext (“Euronext”) under the symbol “CCAP.”

Conversus LP owns all of the Class A limited partner interests in Conversus Investment Partnership, L.P. (“Investment Partnership”), a Guernsey limited partnership through which substantially all of Conversus LP’s investments are made directly or indirectly through its subsidiaries. The Investment Partnership is composed of a general partner, Conversus Investment GP, Limited (“Investment GP”), a Guernsey limited company, which holds 100% of the voting interests of the Investment Partnership, as well as the Class A, B and C limited partners, all of which are non-voting. Conversus LP and the Investment Partnership are referred to collectively as “Conversus.” The independent members of the Board of Directors of Conversus GP and the independent members of the Board of Directors of Investment GP are collectively referred to as the “Board of Directors.”

Conversus Participation Company, LLC (“CPC”) owns all Class B limited partner interests in the Investment Partnership. CPC has no operations and is a vehicle through which its owners receive performance fees from the Investment Partnership (see Note 2). Class C limited partner interests in the Investment Partnership have been issued to Conversus Asset Management, LLC (“CAM”). These interests entitle CAM to receive the profits interest portion of the management fee (see Note 2).

CAM and CPC are both owned by Bank of America Corporation (“BAC”), Oak Hill Investment Management, L.P. (“OHIM”), the California Public Employees Retirement System (“CalPERS”), affiliates of Harvard Management Company, Inc. (an investment vehicle for the Harvard University Endowment) (“Harvard”) and certain members of CAM’s management. CAM is Conversus’ investment manager and carries out the day-to-day management and operations of Conversus’ business, pursuant to a services agreement (see Note 9).

Conversus LP makes substantially all of its investments through the Investment Partnership and its subsidiaries and expects that Conversus LP’s only investment assets will be Class A limited partner interests in the Investment Partnership and a 1% economic interest in certain of the Investment Partnership’s subsidiaries. Conversus GP or the Investment Partnership controls each of these subsidiaries.

The Investment Partnership holds investments through a series of Delaware limited partnerships and non-U.S. corporations, none of which individually hold more than 20% of the Investment Partnership’s gross assets. The Investment Partnership does not have and does not expect to have more than 20% of the gross assets of the Investment Partnership invested in any single underlying subsidiary. Conversus LP owns 1% of the economic interests in certain of these subsidiaries and the Investment Partnership owns the remaining 99%.

### ***Realization Strategy***

During the second quarter of 2009, Conversus implemented a realization strategy designed to deliver the value of its portfolio to investors. The realization strategy is designed to increase the confidence of investors that the value of Conversus' current portfolio will be delivered to its unit holders over time. Conversus has discontinued substantially all investments and new commitments and is focused on realizing the value of the existing portfolio by applying cash flow to fund capital calls and expenses, repay debt and, eventually, return capital to unit holders through unit repurchases and cash distributions. Conversus will continue to manage actively its current portfolio of funded investments and unfunded commitments as well as its liquidity and capital resources to maximize unit holder value.

Conversus will consider a return to a growth strategy if it believes three criteria are met: (i) the market price for its units fairly reflects the value of the portfolio, (ii) the trading volume in its units provides sufficient liquidity for investors and (iii) the reflection of fair value in the unit price and the level of trading volume are sustainable. Conversus will continue to review its strategy in response to market conditions and will make strategic decisions consistent with the goal of maximizing unit holder value.

## **2. Summary of Significant Accounting Policies**

### ***Basis of Presentation***

The combined financial statements for Conversus are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Conversus has received approval from the Netherlands Authority for the Financial Markets ("AFM") to prepare its combined financial statements in accordance with U.S. GAAP rather than Dutch GAAP or International Financial Reporting Standards. In the instance where such approval is withdrawn by the AFM or contradictory legislation is passed, Conversus could be required to prepare its combined financial statements on a basis other than U.S. GAAP.

As disclosed in Note 1, Conversus LP owns all of the Class A limited partner interests in the Investment Partnership. Conversus LP does not own the general partner interests of the Investment Partnership, and therefore does not control the Investment Partnership. However, Conversus GP and Investment GP are controlled by the same Guernsey charitable trust. Therefore, Conversus LP and the Investment Partnership are under common control. Substantially all of Conversus' investments are made through the Investment Partnership and its subsidiaries. In order to present meaningful financial statements, the accounts of Conversus LP and the Investment Partnership have been combined as permitted under U.S. GAAP.

### ***Principles of Combination***

These combined financial statements include the accounts of Conversus LP combined with the Investment Partnership. The accounts of the Investment Partnership represent the consolidated accounts of the Investment Partnership and its subsidiaries. All material balances between Conversus LP, the Investment Partnership and subsidiaries of the Investment Partnership have been eliminated.

### ***Currency***

Conversus' functional currency is the U.S. dollar as a majority of its investments are denominated in U.S. dollars. When valuing investments that are denominated in currencies other than the U.S. dollar, Conversus converts the values of such investments into U.S. dollars based on prevailing exchange rates as of the end of the applicable accounting period.

Conversus does not separately report the changes relating to currency exchange rates from those relating to changes in the fair value of investments in the combined financial statements. These fluctuations are combined and included in the net change in unrealized depreciation on investments in the Combined Statements of Operations.

#### ***Use of Estimates***

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Valuation of Investments***

Conversus accounts for its investments at fair value in accordance with U.S. GAAP. Investments include private equity investments, publicly traded equity securities and a derivative instrument. The Board of Directors and the Chief Financial Officer are ultimately and solely responsible for estimating the fair value of investments in good faith. Due to their inherent uncertainty, the estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed, and such differences could be material to the combined financial statements.

#### ***Derivative Instruments***

Derivative instruments are recorded at estimated fair value and are shown on the Combined Statements of Net Assets with changes in fair value reflected in the net change in unrealized depreciation on investments in the Combined Statements of Operations.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash held in the bank and liquid investments with maturities, at the date of acquisition, not exceeding 90 days.

#### ***Treasury Units***

Conversus LP's purchases of its own common units are recorded as treasury units under the cost method and are shown as a reduction of partners' capital on the Combined Statements of Net Assets.

#### ***Transactions in Foreign Currency***

Foreign currency transactions are translated at the rate of exchange prevailing on the date of the transaction. The value of investments that are denominated in currencies other than the U.S. dollar are stated by converting the value of such investments into U.S. dollars based on the rate in effect on the last business day of each applicable accounting period, and the related gains/losses are included in the net change in unrealized depreciation on investments in the Combined Statements of Operations.

#### ***Income***

##### ***Interest Income***

Conversus may earn interest income from its private equity investments and from its cash and cash equivalents. Interest is recorded when earned, or when it is reported to Conversus by the private equity funds in which it is invested.

### *Dividend Income*

Conversus may earn dividend income from its publicly traded equity securities or from its private equity investments. To the extent that a dividend represents a distribution of operating income, it is recorded when declared, or when it is reported to Conversus by the general partners. When a dividend represents a distribution resulting from a recapitalization, it is recorded as a return of capital and any related realized gain or loss is recognized.

### *Realized Gains and Losses on Investments*

Realized gains and losses are recognized when Conversus is made aware of a realization event, which, in the case of underlying portfolio companies, normally occurs when a distribution is received or when Conversus is notified by a general partner that a transaction has occurred. For publicly traded equity securities, realizations are recorded on the trade date. Any realized gains or losses associated with direct co-investments and derivative instruments are recorded on the date of a transaction closing.

### *Public Equity Security Distributions*

In-kind public equity security distributions from fund investments are recorded as of the declaration date and any associated gains or losses are included in net realized gains or losses on investments in the Combined Statements of Operations. The public equity security distributions are initially recorded at the value of the distribution received and subsequently marked to market at the end of each month.

### *Fund Fees and Expenses*

Management fees and partnership expenses are charged by the general partners of the funds in which Conversus is invested and are expensed in the period to which they relate. These fees and expenses do not include performance fees or carried interest earned by the general partners.

### *Management Fees*

CAM is entitled to management fees from the Investment Partnership in an aggregate amount of (i) 1.0% per annum of the value of Conversus' non-cash assets and (ii) 0.5% per annum of Conversus' aggregate unfunded commitments. Of such amount, one-third is payable quarterly in cash ("cash management fee"), in arrears, and two-thirds is earned in the form of a profits interest in the Investment Partnership. This profits interest is payable quarterly, in arrears, to the extent that there has been appreciation in Conversus' net asset value ("NAV"). CAM has voluntarily agreed to irrevocably waive its right to 30% of the profits interest while Conversus operates under the realization strategy.

For the quarter and nine months ended 30 September 2010, management fee expense, net of the waiver, totaled \$4.3 million and \$13.1 million, respectively. As of 30 September 2010 and 31 December 2009, cash management fees of \$1.8 million and \$1.9 million were accrued, respectively. As of 30 September 2010 and 31 December 2009, profits interest of \$2.5 million and \$2.7 million were accrued, respectively.

### *Performance Fees*

Performance fees are calculated at the end of each applicable quarter, based on the results to date. Each quarter, CPC is entitled to a 10% performance fee from the Investment Partnership based on increases in NAV, subject to a 7% preferred return to the Investment Partnership and a high water mark for the three year period ending as of the calculation date. No performance fees were incurred during the quarter and nine months ended 30 September 2010, and there were no performance fees payable as of 30 September 2010 or 31 December 2009.

### ***Other Expenses***

Interest expense represents interest incurred through the collateralized fund obligation program (see Note 6).

Professional service fees represent accounting, audit, tax, legal and related costs.

Personnel expense includes compensation and benefits for Conversus' employees as well as employee costs reimbursed to CAM for administrative personnel under a services agreement (see Note 9).

Public company costs include insurance, third party valuation fees, Board of Director compensation, investor relations and regulatory expenses.

Other general and administrative expenses include taxes, occupancy, commitment fee related to the collateralized fund obligation program, travel, training, recruitment and miscellaneous employee expenses.

### ***Phantom Equity Incentive Plan***

Based on the terms of the Phantom Equity Incentive Plan, Conversus accounts for phantom equity as liability awards under ASC 718-10, *Stock Compensation*. Grants are referenced to Conversus LP's unit price.

### ***Income Taxes***

Conversus LP, the Investment Partnership and the Investment Partnership's subsidiaries are not subject to taxation in Guernsey.

Under current Guernsey law, Conversus' income that is wholly derived from international operations and any distributions paid to Conversus LP's unit holders are not regarded as arising or accruing from a source in Guernsey in the hands of that unit holder if, being an individual, the unit holder is not solely or principally resident in Guernsey, or, being a company, is not resident in Guernsey. It is the intention of Conversus GP and Investment GP to ensure that Conversus' business is conducted in such a way as to constitute international operations for the purposes of the relevant legislation.

Conversus LP has made a protective election to be treated as a partnership for U.S. federal income tax purposes and manages its affairs so that it should not be treated as a publicly traded partnership that is taxable as a corporation. An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deductions of the partnership in computing its U.S. federal income tax liability, regardless of whether cash distributions are made.

Investments made in entities that generate U.S. source income may indirectly subject Conversus LP and/or the Investment Partnership to certain U.S. federal and state income tax consequences. A U.S. withholding tax at the rate of 30% may be applied on the distributive shares of any U.S. source dividends and interest (subject to certain exemptions) and certain other income received directly or through one or more entities treated as either partnerships or disregarded entities for U.S. federal income tax purposes. Conversus LP's intention is to minimize income which could be deemed to be effectively connected with a U.S. trade or business.

Income from an investment that is effectively connected with a U.S. trade or business is subject to U.S. federal and state income taxation. The U.S. requires withholding on effectively connected income at the highest U.S. regular income tax rate. Such income effectively connected with a U.S.



trade or business (net of the U.S. regular income tax rate) may also be subject to a branch profits tax at a rate of up to 30%.

Under ASC 740-10, *Accounting for Uncertainty in Income Taxes* (“ASC 740-10”), management is required to determine whether a tax position of Conversus is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax liability to be recognized is measured as the largest amount of liability that is greater than fifty percent likely of being realized upon ultimate settlement which could result in Conversus recording a tax liability that would reduce partners’ capital.

As of 30 September 2010 and 31 December 2009, management concluded that there was no material impact on Conversus’ tax liabilities, financial position or results of operations under ASC 740-10. Conversus’ management has determined that there is no material tax liability resulting from unrecognized tax liabilities related to uncertain tax positions taken or expected to be taken in future tax returns, which has not been recorded in the combined financial statements. Conversus is also not aware of any tax positions for which it is reasonably possible that the total amounts or unrecognized tax liabilities will significantly change in the next twelve months.

Conversus files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, Conversus is subject to examination by federal, state, local and foreign jurisdictions, where applicable. As of 30 September 2010, the tax years that remained subject to examination by the relevant taxing authorities were 2007 through 2009. Conversus has no knowledge of any tax returns under examination. Conversus has evaluated its federal and state filings for all open tax years, and did not note any potential material penalties or interest.

Unit holders in certain jurisdictions could have tax consequences from ownership of Conversus LP’s units, including making required tax payments in excess of any distributions received in any specific year. Conversus LP has not taken such tax consequences into account in the preparation of these combined financial statements.

### 3. Fair Value of Financial Assets and Liabilities

A fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value is established under ASC 820-10, *Fair Value Measurements and Disclosures* (“ASC 820-10”). The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, as of the measurement date. These include quoted prices in markets that are not active, quoted prices in active markets but with restrictions impacting fair value and quoted prices in active markets for similar assets or liabilities. This level also includes inputs other than quoted prices that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Inputs are unobservable for the assets and liabilities. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or similar asset) at the measurement date.



The following tables display Conversus' financial assets and liabilities that were accounted for at fair value as of 30 September 2010 and 31 December 2009, by fair value hierarchy. As required by ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

<b>Financial Assets and Liabilities at Fair Value as of 30 Sep 2010</b>				
(US\$ in thousands)				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets and Liabilities</b>				
Fund Investments				
Buyout	\$ -	\$ -	\$ 1,346,971	\$ 1,346,971
Venture Capital	-	-	282,067	282,067
Special Situation	-	-	158,846	158,846
Direct Co-Investments	-	-	54,992	54,992
Publicly Traded Equity Securities	13,346	-	-	13,346
Derivative Instrument	-	(8,600)	-	(8,600)
Total Investments	13,346	(8,600)	1,842,876	1,847,622
Cash and Cash Equivalents	26,446	-	-	26,446
<b>Total Financial Assets and Liabilities</b>	<b>\$ 39,792</b>	<b>\$ (8,600)</b>	<b>\$ 1,842,876</b>	<b>\$ 1,874,068</b>

<b>Financial Assets and Liabilities at Fair Value as of 31 Dec 2009</b>				
(US\$ in thousands)				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets and Liabilities</b>				
Fund Investments				
Buyout	\$ -	\$ -	\$ 1,379,485	\$ 1,379,485
Venture Capital	-	-	300,530	300,530
Special Situation	-	-	170,019	170,019
Direct Co-Investments	-	-	48,113	48,113
Publicly Traded Equity Securities	14,045	-	-	14,045
Derivative Instrument	-	(4,620)	-	(4,620)
Total Investments	14,045	(4,620)	1,898,147	1,907,572
Cash and Cash Equivalents	32,313	-	-	32,313
<b>Total Financial Assets and Liabilities</b>	<b>\$ 46,358</b>	<b>\$ (4,620)</b>	<b>\$ 1,898,147</b>	<b>\$ 1,939,885</b>

Conversus has assessed its financial assets and liabilities and concluded that all are classified as Level 3 with the exception of directly held publicly traded equity securities (Level 1), cash and cash equivalents (Level 1) and the derivative instrument (Level 2). Transfers between levels are recognized based on the actual date of the event that caused the transfer.

The following table summarizes the change in fair value of Level 3 financial assets for the nine months ended 30 September 2010.

Summary of Changes in Level 3 Financial Assets (US\$ in thousands)	
	Investments
Balance as of 1 Jan 2010	\$ 1,898,147
Distributions	(274,792)
Net Realized Gains	78,062
Net Change in Unrealized Depreciation	60,007
Capital Calls	98,547
In-Kind Distributions Transferred to Level 1	(17,095)
Balance as of 30 Sep 2010	<u>\$ 1,842,876</u>

#### Valuation Methodology

Investments in private equity funds do not have a readily available market and are generally valued based on the fair value of each private equity fund as reported by the respective general partner, which necessarily incorporates estimates made by those general partners. Conversus believes that this value, in most cases, represents fair value as of the relevant statement date, although, if other factors lead Conversus to conclude that fair value provided by the general partner does not represent actual fair value, Conversus will adjust the value of the investment from the general partner's estimate. Conversus estimates fair value based on publicly available information and the most recent financial information provided by the general partners, as adjusted for cash flows since the date of the most recent financial information. Additionally, the value of public equity securities known to be owned by the private equity funds, based on the most recent information reported to Conversus by the general partners, have been marked to market as of the last quoted price on the reporting date. Where applicable, a discount is applied to such securities based on an estimate of the discount applied by the general partners (to account for restrictions or other constraints) in calculating NAV.

The transfer of Conversus' investments in private equity funds generally requires the consent of the corresponding private equity fund manager, and the transfer of certain fund investments is subject to rights of first refusal or other preemptive rights, potentially further limiting Conversus from transferring an investment in a private equity fund. The weighted average life of Conversus' fund investments was 8.0 years as of 30 September 2010. The weighted average remaining contractual life for Conversus' fund investments prior to any extensions was 3.4 years based upon the funds' stated termination date. It is common practice for general partners to extend the life of a fund for a period of several years beyond the original termination date. Thus, it is likely that the average remaining life for Conversus' fund investments is materially greater than 3.4 years. Historical J-curves analysis for private equity investments indicates that the average life for a fund is fifteen years.

Direct co-investments are carried at fair value, as estimated by Conversus. In estimating fair value, Conversus considers the value assigned to such investment by the fund with which Conversus has co-invested, to the extent known. Conversus also considers the estimated fair value based on the

projected enterprise value at which the underlying company could be sold in an orderly disposition over a reasonable period of time and in a transaction between willing parties other than in a forced sale or liquidation. In these instances, market multiples considering specified financial measures (such as EBITDA, adjusted EBITDA, cash flow, net income, revenues or NAV) and/or a discounted cash flow or liquidation analysis can be used. Consideration may also be given to such factors as the company's historical and projected financial data, valuations given to comparable companies, the size and scope of the company's operations, the company's strengths, weaknesses, applicable restrictions on transfer, industry information and assumptions, general economic and market conditions and other factors deemed relevant. Conversus may also engage the services of a third party valuation firm to assist with valuing the asset.

Valuations for private equity funds acquired in secondary purchases are determined on a fund by fund basis taking into consideration a number of factors including: the purchase price paid for the fund, the valuation applied by the general partner in the most recently available statements (adjusted for cash flows through the purchase date), the conditions under which the assets were purchased, market and economic conditions at the time of purchase and other factors considered relevant at the time of the transaction. The public equity securities known to be owned within the purchased private equity fund, based on the most recent information reported to Conversus by the general partners, are marked to market and a discount applied to such securities based on an estimate of the discount applied by the general partners (to account for restrictions or other constraints) in calculating NAV in the month in which the assets are purchased. Subsequent valuations follow aforementioned valuation guidelines for investments in private equity funds.

Conversus generally reports its estimated quarterly NAV prior to receiving fair value information from all general partners. As a result, Conversus' estimate of fair value for investments in private equity funds could differ materially from the fair values ultimately reported by the general partners.

Duff & Phelps, LLC ("Duff & Phelps"), an independent valuation firm, provides third party valuation consulting services to Conversus LP which consist of certain limited procedures that Conversus LP identifies and requests them to perform. On a quarterly basis, Duff & Phelps reviews valuations covering a minimum of 20% of investment NAV with an annual target of reviewing approximately 80% of the investment NAV, exclusive of any direct co-investments, directly held publicly traded equity securities and publicly traded equity securities owned by the private equity funds in which Conversus is invested. Upon completion of the limited procedures outlined in Conversus LP's engagement letter with Duff & Phelps, Duff & Phelps concluded that the fair value as estimated by Conversus LP, on an aggregate basis, of those investments subjected to the limited procedures as of 30 September 2010 did not appear to be unreasonable.

#### **4. Disclosures about Fair Value of Financial Instruments**

Disclosures of estimated fair values for all financial instruments and the methods and assumptions used by management to estimate the fair value for each type of financial instrument are required under ASC 825-10, *Financial Instruments*.

##### ***Short-term Assets and Liabilities***

For items that are short-term in nature, such as cash and cash equivalents, receivables, prepaid expenses, management fees payable and other liabilities, Conversus estimates that the carrying value approximated fair value as of 30 September 2010 and 31 December 2009.

### Notes and Interest Payable

Conversus' notes payable are valued according to the terms of the collateralized fund obligation program discussed in Note 6. The notes utilize a variable interest rate based on the one or three month LIBOR rate plus a fixed premium. Conversus believes the fair value of its notes payable did not differ materially from its carrying amount as of 30 September 2010 and 31 December 2009.

## 5. Derivative Instrument

Conversus entered into a \$100 million notional total return swap (the "swap") with Citigroup ("Citi") in September 2009 to manage market risk associated with publicly traded equity securities (see Note 12). Under the swap agreement, Citi will make a payment at the maturity date to Conversus based on a set rate over the life of the swap while Conversus will make or receive a payment to/from Citi at the maturity date based on the performance of the S&P 500 Total Return index over the life of the swap.

The swap matures on 22 October 2010, and the estimated fair value of the swap as of 30 September 2010 was an unrealized loss of \$8.6 million. Conversus values the swap based on a market approach that uses observable inputs which include the S&P 500 Total Return index and one-month LIBOR. The estimated fair value as of 30 September 2010 was calculated as if the swap was settled as of that date.

For the quarter and nine months ended 30 September 2010, the total unrealized loss on the swap was \$11.0 million and \$4.0 million, respectively, which is included in the net change in unrealized depreciation on investments in the Combined Statements of Operations.

The table below summarizes terms of the swap.

Summary of Total Return Swap (US\$ in thousands)							
Counterparty	Notional Amount	Underlying Index	Floating Amount	Payment Frequency	Maturity Date	Estimated Fair Value as of 30 Sep 2010	Estimated Fair Value as of 31 Dec 2009
Citigroup	\$100,000	S&P 500 Total Return	1-month USD LIBOR minus 16 bps	At Maturity Date	22 Oct 2010	(\$8,600)	(\$4,620)

The swap will be terminated and settled if, for any reason, the collateralized fund obligation program (see Note 6) terminates or if Conversus defaults.

## 6. Collateralized Fund Obligation Program

Conversus LP has entered into a collateralized fund obligation program with Citi that was amended in the third quarter of 2010 (as amended, the "Program"). Conversus LP has the ability to issue up to \$375.0 million of notes to Citi on a continuous basis, subject to certain conditions and covenants. The Program provides for the ability to issue up to \$375.0 million of notes through December 2013 and \$200.0 million of notes from January 2014 through December 2014, the maturity date of the Program. Conversus LP has the right to repurchase some or all of the outstanding notes at any time. Conversus LP has the option to terminate the Program on six months notice upon payment of an amount equal to the outstanding principal amount of the notes plus accrued and unpaid interest thereon at such date.

The notes bear interest at a rate equal to the one or three month LIBOR rate plus 2.95% on drawn amounts. Interest expense is accrued over one or three month interest periods and paid on the last day of the interest period.

The table below summarizes activity under the Program for the nine months ended 30 September 2010.

Summary of Program Activity (US\$ in thousands)				
	Class A Notes	Class B Notes	Accrued Interest	Total
Balance as of 1 Jan 2010	\$ 1,000	\$ 215,002	\$ 13,002	\$ 229,004
Notes Issued	-	20,000	-	20,000
Repayments of Notes/Interest	-	(158,000)	(9,195)	(167,195)
Interest Expense	-	-	2,435	2,435
Capitalized Interest	-	6,235	(6,235)	-
Balance as of 30 Sep 2010	\$ 1,000	\$ 83,237	\$ 7	\$ 84,244
Interest Expense	\$ 17	\$ 2,418		\$ 2,435

The Class A Notes outstanding as of 30 September 2010 and 31 December 2009 had interest rates of 3.38% and 1.68%, respectively. The Class B Notes outstanding as of 30 September 2010 and 31 December 2009 had interest rates of 3.31% and 1.65%, respectively.

Conversus pays commitment fees of 0.75% on undrawn amounts and the fees are included in other general and administrative expense in the Combined Statements of Operations.

The Program is secured by a first priority security interest in the cash accounts maintained by Conversus. All distributions from Conversus' investments must be deposited into these accounts.

Ratio covenants now included in the Program that can require prepayment of the notes and limit the borrowing base are as follows:

1. Loan-to-value Ratio – Maximum of 25% - Ratio of (a) the drawn amount of the Program, including accrued interest and swap exposure, to (b) the total NAV of investments plus cash and cash equivalents. As of 30 September 2010 and 31 December 2009, the loan-to-value ratio was 6% and 13%, respectively.
2. NAV Ratio – Minimum of 57.5% - Ratio of (a) total NAV to (b) total NAV of investments plus unfunded commitments. As of 30 September 2010 and 31 December 2009, the NAV ratio was 72% and 64%, respectively.

The Program also contains certain investment guidelines that include concentration limits with respect to the diversification of Conversus' private equity fund portfolio, as well as other conditions and covenants that Conversus must adhere to during the life of the Program. Failure to adhere to these conditions and covenants could result in an event of default or trigger termination event. If Conversus fails to comply with the terms of the Program, Citi is not obligated to provide additional advances under the Program.

After the occurrence of an event of default or trigger termination event as defined in the Program, the notes may become immediately due and payable. In such case, or if a payment would result in such an event, no payments out of the cash accounts would be permitted without the prior written consent of Citi, except to meet capital calls and similar obligations required by Conversus' private equity investments and to make distributions to pay management fees or performance fees, as defined in Note 2. Conversus determined it was in compliance with all covenants and conditions as of 30 September 2010 and 31 December 2009.

When permitted by the terms of the Program, Conversus may incur additional long-term indebtedness in connection with future investment activity.

## **7. Partners' Capital**

Conversus LP's common units represent limited partner interests in Conversus LP and are issued in registered form. Unit holders are not entitled to the withdrawal or return of capital contributions in respect of Conversus LP's common units, except to the extent, if any, that distributions are made to such holders pursuant to Conversus LP's limited partnership agreement. Except to the extent expressly provided in Conversus LP's limited partnership agreement, a unit holder does not have priority over any other holder of Conversus LP's common units, either as to the return of capital contributions or as to profits, losses or distributions. The unit holders are not granted any preemptive or other similar right to acquire additional interests in Conversus LP. In addition, unit holders do not have any right to have their common units redeemed by Conversus LP.

Conversus LP currently owns all of the Class A limited partner interests in the Investment Partnership. Class A interests are not entitled to the withdrawal or return of any capital contributions in respect of Class A limited partner interests, except to the extent, if any, which distributions are made to such holders in terms of the Investment Partnership's limited partnership agreement, upon the liquidation of the Investment Partnership or otherwise required by applicable law. The Class B limited partner interests in the Investment Partnership are held by CPC. Class B interests have no preemptive or other similar rights to acquire any additional interests in the Investment Partnership. The Class C limited partner interests in the Investment Partnership are held by CAM. Class C interests have no preemptive or other similar rights to acquire any additional interests in the Investment Partnership.

Conversus LP has entered into Liquidity Provider agreements with The Royal Bank of Scotland ("RBS") and Amsterdams Effectenkantoor BV ("AEK") with respect to Conversus' common units listed on Euronext. Pursuant to the agreements, RBS and AEK issue continuous quotes in the Euronext order book, in compliance with applicable laws.

Conversus LP has entered into a Liquidity Enhancement agreement (the "Agreement") with RBS. The Agreement provides the parameters and requirements for Conversus LP's liquidity enhancement policy. Under the Agreement, RBS has sole discretion, in the name and for the account of Conversus LP and subject to all applicable legal and regulatory requirements, to effect buy-backs of units and sales of units held in treasury on Euronext within the parameters set out in the Agreement. Units will not be sold out of treasury under the Agreement at a price which is lower than the last reported NAV per unit. The aggregate number of units which may be purchased in accordance with the Agreement is subject to a maximum of 3.7 million units, which represented five percent of the total number of units outstanding at the time the agreement was finalized. Conversus LP can elect to increase such maximum. Pursuant to applicable laws, the maximum price which may be paid for a unit is an amount



equal to the higher of (a) the price of the last independent trade and (b) the highest current independent bid price for units on Euronext.

Pursuant to the terms of the Agreement, in December 2009, Conversus notified RBS that it had elected to extend the terms of the Agreement for an additional twelve months. Repurchase activity under the Agreement was suspended in April 2009 and subsequently resumed in August 2010. The Agreement may be terminated at any time by either Conversus LP or RBS.

During the quarter and nine months ended 30 September 2010, Conversus LP repurchased 11,610 units at an average price of \$15.50 per unit under the Agreement. Conversus LP also repurchased 2,000,000 units in a block repurchase from Harvard at a price of \$14.90 per unit that was not executed as part of the Agreement. In total, 3,174,550 and 1,162,940 Conversus LP units were held in treasury as of 30 September 2010 and 31 December 2009, respectively.

OHIM is obligated to invest 25% of its share of performance fees received by CPC in Conversus units until it reaches a \$25.0 million commitment level. OHIM has made an election to increase its reinvestment to 37.5% of its performance fee. Conversus issued no units to OHIM during the nine months ended 30 September 2010. Since the global offering, Conversus LP has issued 171,669 common units to OHIM, representing a total reinvestment of \$4.0 million. The issuances are based on the Conversus LP average closing price for the ten days leading up to and including the last day of the period to which they relate.

## **8. Phantom Equity Plan and Directors Compensation**

Conversus has established a long term incentive plan under which it may make discretionary grants of phantom equity to certain qualified persons. Vesting of the phantom equity awards will be determined on a grant by grant basis. Pursuant to the phantom equity plan, these awards are referenced to Conversus LP's unit price and will be settled in cash, typically at the earlier of the fifth anniversary of the grant or the termination of the recipient's employment or association with Conversus.

Conversus will ultimately record compensation expense equal to the amount of cash for which the awards are settled. During the vesting period, compensation expense is recorded on a straight-line basis, adjusted for changes in the market value of Conversus LP's units. Subsequent to vesting but prior to payment, compensation expense or benefit will be recorded based on the changes in Conversus LP's unit price, resulting in an increase or decrease in the associated phantom equity liability.

During the nine months ended 30 September 2010, Conversus granted 11,924 units under the phantom equity plan that vest on or before 29 September 2011.

For the quarter and nine months ended 30 September 2010, total phantom equity award expense was \$0.4 million and \$1.2 million, respectively. As of 30 September 2010 and 31 December 2009, \$2.3 million and \$1.1 million, respectively, was payable with respect to total phantom equity awards.

The chart below summarizes the unit activity of the phantom equity plan for the nine months ended 30 September 2010.

<b>Summary of Phantom Equity Plan Unit Activity</b>		
	<b>Unvested</b>	<b>Vested</b>
Units Outstanding as of 1 Jan 2010	129,137	39,655
Issued	11,924	-
Vested	(52,168)	52,168
Units Outstanding as of 30 Sep 2010	88,893	91,823

Each member of Conversus GP's Independent Board of Directors receives annual compensation of \$62,500 in cash and \$62,500 in phantom equity awards. For the quarter and nine months ended 30 September 2010, Board of Director compensation expense was \$0.2 million and \$0.5 million, respectively. As of 30 September 2010 and 31 December 2009, \$0.6 million and \$0.3 million, respectively, was payable with respect to Board of Director compensation.

## 9. Related Parties

The sole shareholders of Conversus GP and Investment GP are two Guernsey charitable trusts, Conversus Charitable Trust I and Conversus Charitable Trust II. Conversus Charitable Trust I is considered the ultimate controlling party. The trustee of each of the Charitable Trusts is Northern Trust Fiduciary Services (Guernsey) Limited, which is independent of CAM, BAC and OHIM and is formed under the laws of Guernsey. The trust administration fees for the Charitable Trusts are paid by the Investment Partnership. The applicable fees are currently a minimum annual fee of \$25,000 per trust. The trustee for the Charitable Trusts is affiliated with Conversus' Guernsey administrator, Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust"). The Trustee's duties are to the Charitable Trusts and not to Conversus LP or the Investment Partnership, and no material fees are payable by Conversus under the trust administration arrangements.

Conversus LP, Conversus GP, Investment GP, the Investment Partnership and the Investment Partnership's subsidiaries (the "Service Recipients") have entered into a single services agreement with CAM pursuant to which CAM has agreed to carry out the day-to-day management and operations of the respective businesses. Under the services agreement, CAM is entitled to management fees, as discussed in Note 2, as well as the reimbursement of all fees, costs and expenses incurred in connection with the management and operation of the Service Recipients' businesses, including compensation and benefits associated with administrative personnel. CAM is not reimbursed for compensation or benefits associated with the provision of investment services by investment professionals. For the quarter and nine months ended 30 September 2010, total expenses under the services agreement were \$0.8 million and \$3.1 million, respectively. The total amount payable to CAM under the services agreement as of 30 September 2010 and 31 December 2009 was \$1.4 million and \$1.6 million, respectively.

CAM has entered into a subadvisory and services agreement with OHIM. Under the subadvisory and services agreement, OHIM performs those functions and has such authority as may be delegated to it by CAM. Pursuant to the subadvisory and services agreement, CAM is required to reimburse OHIM for its portion of certain fees and expenses incurred by CAM, as well as other fees, costs and



expenses incurred by OHIM. Pursuant to the services agreement, the Service Recipients are required to reimburse CAM for certain out of pocket and other administrative fees paid to OHIM, such as expenses incurred in connection with travel, professional service fees and the pro rata portion of certain overhead costs. For the quarter and nine months ended 30 September 2010, total expenses under the subadvisory and services agreement were \$5,000 and \$23,000, respectively. The total amount payable to CAM under the subadvisory and services agreement was \$6,000 and \$24,000 as of 30 September 2010 and 31 December 2009, respectively.

Conversus GP has retained Northern Trust and its affiliates to act as its Guernsey administrator to provide certain accounting services, including the accounting and administration of the private equity funds in which Conversus has invested. Paul Guilbert, Chairman of the Board of Directors of Conversus GP, is employed by Northern Trust. For the quarter and nine months ended 30 September 2010, total accounting and administration expenses were \$0.4 million and \$1.1 million, respectively. The total amount payable to Northern Trust for accounting and administration services as of 30 September 2010 and 31 December 2009 was \$0.7 million.

BAC, OHIM and CalPERS, who are owners of CAM, are also unit holders of Conversus LP. From time to time, Conversus may invest alongside these unit holders in private equity fund investments or direct co-investments.

## **10. Commitments and Contingencies**

As of 30 September 2010, Conversus held interests in 227 investments, including private equity funds, direct co-investments and publicly traded equity securities and had unfunded commitments to private equity funds of \$611.2 million. In addition, Conversus may make capital commitments to private equity funds in the future and may make purchases of existing private equity funds in the secondary market, many of which will be subject to additional funding requirements. Conversus generally employs an over-commitment strategy when making investments in private equity funds in order to maximize the amount of its capital that is invested at any given time. When an over-commitment strategy is employed, the aggregate amount of capital committed by Conversus to private equity funds at a given time may exceed the aggregate amount of cash that Conversus has available for immediate investment. Because the managers of private equity funds will typically be permitted to make calls for capital contributions following the expiration of a relatively short notice period, employing an over-commitment approach requires Conversus to time investments and manage available cash in a manner that allows the funding of its capital commitments when capital calls are made. CAM is primarily responsible for managing Conversus' cash and the timing of its investments. CAM takes into account expected cash flows to and from its investments and amounts available from the issuance of notes under the Program when planning investment and cash management activities with the objective of seeking to ensure that Conversus is able to honor its commitments to funds when they become due. Conversus believes it currently has sufficient liquidity to meet this over-commitment strategy.

In the normal course of business, Conversus enters into contracts which contain indemnification provisions, including, but not limited to, purchase contracts, service agreements and subadvisory agreements. Among other things, these indemnification provisions may be related to Conversus' conduct, performance or the occurrence of certain events. These indemnification provisions will vary based on the contract. Conversus may in turn obtain indemnifications from other parties in certain contracts. These indemnification provisions are not expected to have a material impact on Conversus' combined results of operations or financial condition.

## 11. Gain per Unit Outstanding

The gain per unit outstanding due to the change in net assets resulting from operations for the quarter and nine months ended 30 September 2010 is calculated by dividing the net change in net assets by the weighted average number of units outstanding during the period, as outlined in the table below.

<b>Gain per Unit Outstanding</b>			
(\$ and units outstanding in thousands except for per unit amounts)			
	<b>Quarter Ended 30 Sep 2010</b>	<b>Nine Months Ended 30 Sep 2010</b>	
Net change in net assets resulting from operations	\$ 62,713	\$ 110,716	
Weighted average number of units outstanding	71,308	72,014	
Gain per unit outstanding	\$ 0.88	\$ 1.54	

## 12. Risks

Conversus is exposed to a number of risks due to the types of investments it makes and its structure. Its exposure to risk relates to, among other things, changes in the values of publicly traded equity securities and private securities that are held for investment, movements in prevailing interest rates, changes in foreign currency exchange rates, changes in the laws and regulations under which it operates, general market and economic conditions and the management of liquidity resources.

### *Securities Market Risks*

Conversus and the private equity funds in which it invests may make investments in portfolio companies whose securities are offered to the public in connection with the process of exiting an investment. The market prices and values of publicly traded equity securities of companies in which Conversus has investments may be volatile and can fluctuate due to a number of factors beyond its control. Conversus values investments in publicly traded equity securities based on current market prices at the end of each accounting period, which could lead to significant changes in the NAV and operating results of Conversus.

### *Interest Rate Risks*

As described in Note 10, Conversus will, from time to time, incur indebtedness to support its over-commitment strategy and its liquidity needs. An increase in interest rates could increase the cost of making payments under the Program, as described in Note 6, or make it more difficult or expensive for Conversus to obtain debt financing in the future, and could decrease the returns that its investments generate.

### *Foreign Currency Risks*

Conversus' functional currency is the U.S. dollar because a majority of its investments are denominated in U.S. dollars. As a result, the investments that are carried as assets in the combined financial statements are stated in U.S. dollars. When valuing investments that are denominated in currencies other than the U.S. dollar, the values of such investments are converted into U.S. dollars based on prevailing exchange rates as of the end of the applicable accounting period. Due to the foregoing, changes in exchange rates between the U.S. dollar and other currencies could lead to significant changes in NAV.

### ***Counterparty Credit Risk***

Conversus has entered into agreements providing for services and transactions that expose Conversus to risk in the event that the counterparties do not meet the terms of such agreements. Conversus may be exposed to a concentration of credit risk in the Program where there is currently a single lender (see Note 6), the swap agreement under which there is a lone counterparty (see Note 5) and in depository and accounting administration services where Conversus utilizes a single service provider (see Note 9).

Conversus depends on the Program's sole lender to provide funds as requested pursuant to the Program. To the extent that the lender fails to perform under the terms of the Program, the non-performance may have a detrimental impact on Conversus' ability to meet its funding requirements.

Under current market conditions, the availability of new financing is not assured. To the extent that new financing is required and available, the terms for such financing may be significantly less favorable to Conversus than the terms in the current Program, with lenders seeking higher rates, additional equity requirements and more restrictive covenants.

### ***Hedging Arrangements and Risk Management***

When managing its exposure to market risks, Conversus is authorized to use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments (see Note 5) to limit its exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. Conversus anticipates that the scope of risk management activities it undertakes will vary based on the level and volatility of interest rates and public equity indexes, prevailing foreign currency exchange rates, the type of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of changes in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

Although Conversus may enter into hedging transactions in order to reduce its exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, Conversus may not be successful in establishing a perfect correlation between the instruments used in a hedging or other derivative transaction and the position being hedged. An imperfect correlation could prevent Conversus from achieving the intended result and create new risks of loss. In addition, Conversus will not be able to fully limit exposure against all changes in the values of its investments, because the values of its investments are likely to fluctuate as a result of a number of factors, some of which will be beyond Conversus' control, and it may not be able to respond to such fluctuations in a timely manner or at all.

Conversus may also invest in private equity related derivative instruments to enhance its returns as part of its investment strategy. Such efforts may prove unsuccessful and result in losses in excess of amounts invested.

### ***Regulatory Risk***

Conversus, and the funds and companies in which it invests, are subject to a variety of laws and regulations by national, regional and local governments and supranational organizations. These laws and regulations, and their interpretation and application, may change from time to time and those changes could have a material adverse effect on the results of operations or financial position of Conversus.

### ***Tax Risk***

Conversus, and many of the funds and companies in which it invests, have a complex and multi-jurisdictional structure and are subject to a variety of tax laws and tax regulations by national, regional and local governments and supranational organizations. These tax laws and regulations (including the applicable tax rates), and their interpretation and application, may change from time to time and those changes could have a material adverse effect on the results of operations or financial position of Conversus.

### ***Market Risk***

The private equity funds and direct private equity investments in Conversus' portfolio may be materially affected by conditions in the global financial markets and economic conditions. The capital and credit markets have experienced unprecedented volatility and disruption over recent periods. Uncertainty created by market and economic conditions and a tightening of credit could lead to declines in valuations of equity and debt securities without regard to the underlying financial condition of the issuer in certain cases.

The global financial markets and economic conditions may become dislocated or deteriorate, due to a variety of factors beyond the control of Conversus. The general partners of the funds held by Conversus may face reduced opportunities to sell and realize value from their existing portfolio companies, and many of these portfolio companies employ substantial indebtedness that may be difficult to extend or replace and which may magnify the impact of any valuation changes. Changes in market or economic conditions, including an increase in interest rates or lack of available credit, could have a material adverse effect on the results of operations and financial position of Conversus.

The rate of capital calls from the private equity funds in which Conversus invests may increase significantly. As a passive investor with very limited rights, Conversus has virtually no ability to influence the activities of the funds in which it invests or their portfolio companies. Moreover, it may not be possible for Conversus to raise new capital in the debt or equity markets or to sell assets on acceptable terms. If Conversus were not able to fund a capital call when due, it may lead to a default under the fund documents and give the fund in which Conversus invested a variety of remedies. Any such default could also be a default under the Program. A failure by Conversus to meet its capital call obligations may have a material adverse effect on the results of operation and financial position of Conversus.

### ***Valuation Risk***

Investment valuations for which there is no readily available market, such as the illiquid assets in Conversus' portfolio, require estimates and assumptions about matters that are inherently uncertain. Given this uncertainty, the fair values of such investments as reflected in the estimated NAV of Conversus may not reflect the prices that would actually be obtained when such investments are sold.

### **13. Subsequent Events**

In accordance with ASC 855-10, *Subsequent Events*, Conversus has evaluated subsequent events for recognition or disclosure through 22 October 2010, which was the date after which these combined financial statements were available to be issued. Conversus noted no events requiring recognition or disclosure that occurred subsequent to 30 September 2010 and through 22 October 2010.

## Financial Highlights

For the quarter and nine months ended 30 September 2010

(US\$ in thousands except for per unit amounts)

	Quarter ended 30 Sep 2010	Nine months ended 30 Sep 2010
<b>Per Unit Operating Performance</b>		
<b>Net asset value per unit at beginning of period</b>	\$ 24.16	\$ 23.50
<b>Increase / (decrease) from operating activities</b>		
Net investment loss	(0.11)	(0.33)
Net realized gains on investments	0.53	1.08
Net change in unrealized depreciation on investments	0.46	0.79
<b>Total increase from operating activities</b>	0.88	1.54
<b>Increase from treasury unit repurchases</b>	0.28	0.28
<b>Net asset value per unit at end of period</b>	<u>\$ 25.32</u>	<u>\$ 25.32</u>
<b>Total Return</b>	<u>4.80 %</u>	<u>7.74 %</u>

## Supplemental Information

<b>Weighted average net assets during the period</b>	<u>\$ 1,764,930</u>	<u>\$ 1,738,074</u>
<b>Ratios to weighted average net assets:</b>		
Net investment loss	(1.77) %	(1.85) %
<b>Expenses</b>		
Fund fees and expenses	1.07	1.12
Net management fees	0.98	1.00
Interest	0.17	0.19
Professional service fees	0.30	0.32
Personnel	0.33	0.36
Public company costs	0.15	0.14
Other general and administrative	0.26	0.22
<b>Total Expenses</b>	<u>3.26 %</u>	<u>3.35 %</u>

Net investment loss and expense ratios are presented on an annualized basis excluding one time costs.

Beginning 1 July 2009, CAM voluntarily agreed to waive its right to 30% of the profits interest portion of its management fees. Absent this waiver, the percentage for management fees would have been approximately 1.22% and 1.25% on an annualized basis for the quarter and nine months ended 30 September 2010, respectively.