

**INVESTMENT ADVISER BROCHURE
PART 2A OF FORM ADV**

LAKE CAPITAL MANAGEMENT LLC

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Lake Capital Management LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (312) 640-7050. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

Additional information regarding the Management Company is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

There have been no material changes to this Brochure since the last filed version dated February 13, 2012.

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ADVISORY BUSINESS

Lake Capital Management LLC (the “Management Company”), is a private investment management firm and a registered investment adviser with approximately \$650.0 million in client assets under management as of December, 31, 2012. The Management Company is a Colorado limited liability company formed in October 1995.

The Management Company and its affiliates (collectively, “Lake”), including Lake Capital LLC (“Lake LLC”), Lake Capital Investment Partners LP (“General Partner I”) and Lake Capital Investment Partners II LP (“General Partner II”) provide investment supervisory services to their clients, which currently consist of private investment funds (each, a “Fund,” and together with any future private investment funds to which the Management Company or its affiliates provide investment advisory services, including employee and co-investment vehicles and alternative investment vehicles, the “Private Investment Funds”).

The Management Company, Lake LLC, General Partner I and General Partner II operate as a single investment advisory firm and are all under common control (each an “Adviser” and collectively, the “Advisers”). Each Adviser is registered under the Advisers Act as an investment adviser pursuant to the Management Company’s registration in accordance with SEC guidance. General Partner I serves as the general partner of Lake Capital Partners LP (“Fund I”) and General Partner II serves as general partner of Lake Capital Partners II LP (“Fund II”). Each General Partner has discretionary authority to make investment decisions on behalf of the applicable Fund.

The Funds are private equity funds and invest through privately negotiated transactions in operating entities. Pursuant to each Fund’s agreement of limited partnership (each, a “Partnership Agreement”), General Partner I and General Partner II (together with any future general partner of a Private Investment Fund, the “General Partners”) have the authority to manage the business and affairs of Fund I and Fund II, respectively. Each General Partner has delegated, subject to its oversight, day-to-day responsibility for the management and operations of the Funds to the Management Company pursuant to management agreements between the General Partners and Lake LLC and, in turn, Lake LLC and the Management Company (each, a “Management Agreement”).

The investment advisory services provided to the Funds by the Advisers consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Each Fund invests predominantly in non-public companies, although each Fund may invest in public companies, subject to any limitations set forth in its respective Partnership Agreement. The Funds generally seek to take a controlling position when investing in a portfolio company, and generally at least one Lake principal or other Lake investment professional serves on a portfolio company’s board of directors in order to represent the applicable Fund’s interests in the portfolio company.

The Advisers’ advisory services for the Funds are detailed in the respective private placement memoranda, the Management Agreements and Partnership Agreements (collectively, the “Fund Documents”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in Private Investment Funds participate in such fund’s

overall investment program, but may be excused from a particular investment due to legal, regulatory or other applicable constraints or for other agreed upon reasons. Each Fund or its General Partner may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights under, altering or supplementing the Partnership Agreement, which may include providing informational rights, addressing regulatory matters or varying fees and carried interest, with respect to such investors.

The Management Company's principal owners are Paul G. Yovovich and Lake Creek, LLC, which is 100% owned by Terence M. Graunke. Paul G. Yovovich and Terence M. Graunke are the founding principals of Lake (the "Founding Principals").

FEES AND COMPENSATION

The following is a general description of fees, compensation, and expenses of the Funds. Differences exist between the Funds, and a Fund may not charge certain fees, compensation, or expenses that the other Fund charges. The Partnership Agreements of the Funds describe fees, compensation and expenses in greater detail.

In general, the Management Company receives a management fee (the "Management Fee") and the applicable General Partner receives a carried interest in connection with advisory services provided to each Private Investment Fund. For each Private Investment Fund, the carried interest distributed to a General Partner is generally subject to a potential giveback after the final distribution of the Fund's assets if the General Partner has received excess cumulative distributions. The Management Company or other Lake entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring or other fees) of Private Investment Funds and such additional compensation may offset in whole or in part the Management Fees otherwise payable to the Management Company. Investors should review the applicable Fund's Partnership Agreement for details regarding the fee structures summarized below. Terms not defined herein are defined in the applicable Partnership Agreement.

Management Fees

Fund I

Initially, Fund I paid a Management Fee equal to 2% on an annual basis of aggregate Commitments. Effective upon the receipt of Fund II's Management Fees, Fund I's Management Fee has been reduced to 1.5% per annum of (i) the aggregate amount of Investment Contributions less (ii) distributions to the extent of Investment Contributions made with respect to investments that have been disposed of and capital invested in any investment that has been completely written-off (in accordance with the valuation provisions of Fund I's Partnership Agreement) to the extent distributions have not been made with respect thereto, in each case as determined on the first day of the period with respect to which a determination is being made.

As set forth in Fund I's Partnership Agreement, Fund I's Management Fee may be reduced, although not below zero, by a portion of directors' fees, consulting fees, commitment fees, monitoring fees, break-up fees, closing fees, investment banking fees, placement fees and other similar fees paid to the Advisers and certain of their affiliates.

Fund II

Initially, Fund II paid a Management Fee equal to 2% on an annual basis of the aggregate Commitments. Since Fund II's Commitment Period has ended, its Management Fee has been reduced to 1.5% per annum of (i) the aggregate amount of Investment Contributions and deemed contributions made with respect thereto and, subject to certain limitations, guarantees of portfolio company related indebtedness, less (ii) distributions to the extent of Investment Contributions made with respect to investments that have been disposed of and capital invested in any investment that has been completely written-off (in accordance with the valuation provisions of Fund II's Partnership Agreement) to the extent distributions have not been made with respect thereto, in each case as determined on the first day of the period with respect to which a determination is being made.

As set forth in Fund II's Partnership Agreement, Fund II's Management Fee may be reduced, although not below zero, by a portion of directors' fees, consulting fees, commitment fees, monitoring fees, break-up fees, closing fees, investment banking fees, placement fees and other similar fees paid to the Advisers and certain of their affiliates.

In addition, Fund II's Partnership Agreement allows General Partner II to waive or agree to reduce the Management Fee. Any such waived or reduced portion of the Management Fee may reduce the amount of capital the General Partner would otherwise be required to contribute to such Fund. The limited partners of Fund II may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above. Waived or reduced Management Fees are not subject to the Management Fee offsets described above.

Other Management Fee Information

Management Fees are calculated and paid on a semi-annual basis, partially in advance and partially in arrears. Installments of the Management Fee payable for any period other than a full semi-annual period are adjusted on a pro rata basis based upon the actual number of days in such period. A Fund's Management Fee is payable until all Fund assets have been distributed as described in the Partnership Agreement. Investors participating in a closing after a Private Investment Fund's initial closing bear the Management Fee from such initial closing date, plus an additional amount as described in the Partnership Agreement.

Carried Interest

With respect to Fund I, General Partner I is generally entitled to receive a carried interest equal to 20% of all realized profits once all Partners have received an 8% annually compounded preferred return, as more fully described in Fund I's Partnership Agreement. With respect to Fund II, General Partner II is generally entitled to receive a carried interest equal to 20% of all realized profits, subject to an 8% annually compounded preferred return and related general partner catch up provision, as more fully described in Fund II's Partnership Agreement. The carried interest distributed to each General Partner is subject to a potential giveback at the end of the applicable Fund's life if the General Partner has received excess cumulative distributions.

Other Information

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

Principals or other employees of the Advisers may receive a portion of the Management Fee, carried interest or other compensation received by the Management Company or its affiliates.

In addition to the Management Fee and carried interest payable to the Advisers, as set forth in the applicable Partnership Agreement, each Fund bears certain expenses in connection with the Fund's activities, investments and business (to the extent not borne or reimbursed by a portfolio company), but not the Advisers' expenses in connection with maintaining and operating their offices (such as compensation of its employees, rent, utilities and general office expenses). Such Fund expenses typically include: (i) all costs and expenses attributable to acquiring, holding and disposing of the Fund's investments (including, without limitation, interest on money borrowed by the Fund, the Management Company, the General Partner or any Affiliated Partner on behalf of the Fund, registration expenses and brokerage, finders', custodial and other fees), (ii) legal, accounting, auditing, consulting, financing, filing and other fees and expenses (including, without limitation, expenses associated with the preparation of the Fund's financial statements, tax returns and Schedule K-1s), (iii) Advisory Board expenses incurred in accordance with the Partnership Agreement, (iv) costs, expenses, liabilities and obligations of the Fund associated with the acquisition, holding or disposition of investments (including, without limitation, travel (including private and charter aircraft costs), insurance, litigation and indemnification costs and expenses, judgments and settlements), (v) all out-of-pocket fees and expenses incurred by the Fund or the Management Company and its affiliates relating to investment and disposition opportunities for the Fund not consummated (including, without limitation, legal, accounting, auditing, consulting and other fees and expenses, financing commitment fees, real estate title and appraisal costs, and printing), (vi) all out-of-pocket fees and expenses incurred by the Fund or the Management Company and its affiliates in connection with any conference or meeting of the Limited Partners, (vii) any taxes, fees and other governmental charges levied against the Fund, and (viii) any private placement fees and expenses paid to third parties in connection with the organization and funding of the Fund. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "Fees and Compensation," the Advisers receive a carried interest allocation on certain realized profits in the Funds. The Advisers currently advise only Funds that are charged a performance-based fee.

TYPES OF CLIENTS

The Management Company provides investment advice to Private Investment Funds, which may include investment partnerships or other investment entities formed under domestic or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, insurance companies, pension and profit-sharing plans, trusts, estates or charitable organizations, corporations or other business entities or other investment entities, and may include, directly or indirectly, principals or other employees of the Management Company and its affiliates.

Fund I and Fund II are closed to new investors, but each Fund generally had a minimum investment amount of \$5 million for third-party investors, which each Fund's General Partner had the right to waive. In most circumstances investors in the Funds must meet minimum suitability and net worth qualifications prior to investing in the Funds. Generally, investors must be (i) "accredited investors" as defined under Regulation D of the Securities Act of 1933, as amended and (ii) for certain funds, either "qualified purchasers" or "knowledgeable employees" as defined under the Investment Company Act of 1940, as amended.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

The Management Company provides day-to-day investment advisory services to the Funds; provided that all decisions, consents and other determinations (including, without limitation, decisions, consents and other determinations with respect to a Fund relating to the acquisition and disposition of the Fund's investments, distributions by the Fund of cash and securities and amendments to the respective Partnership Agreement) are made by the General Partner. The General Partner has ultimate decision-making authority for the respective Fund. Because the Advisers have common owners and personnel, the Advisers' general investment methodology is described below. Investors should refer to the applicable Fund Documents for further information regarding investment strategies employed for a specific Fund.

There can be no assurance that the Advisers will achieve the investment objectives of each Fund and a loss of investment may be possible.

Investment Strategy and Process

The Advisers typically invest a Fund's capital in a limited number of private equity and equity-related investments in middle-market service-based and related companies. The Advisers typically seek to acquire an enterprise with revenues of \$25 million to \$150 million as the initial platform company for a portfolio investment initiative. After acquiring a platform, the Advisers generally will seek to accelerate organic growth by adding complementary service offerings and geographic scope (including through add-on acquisitions) to enable the portfolio company to achieve scale, market positioning, improved profitability and market-reach objectives, and to position the company strategically for a successful exit.

The Advisers focus principally on growth companies within the services sector and generally target investments in the following segments, among others: (i) marketing services (e.g., sales promotion, direct response, interactive marketing, public relations, media services and event services); (ii) finance-related services (e.g., accounting-related, cost recovery, billing and financial services consulting); (iii) operational and infrastructure services (e.g., human capital management, staffing, operational consulting, distribution, logistics, technology consulting and related outsourced services); (iv) specialty services (e.g., corporate training, in-store retail services and government services); (v) specialty consumer services (e.g., consumer products marketers and consumer financial services); and (vi) franchising. The Advisers believe the services sector generally is highly fragmented and provides investment opportunities that have the potential to produce substantial capital appreciation. The Advisers also believe these segments can provide significant organic revenue growth opportunities. Further, opportunities typically exist to meaningfully enhance profit margins of service-based businesses given the economies of scale that can be achieved.

The principals participate in the Advisers' investment decisions. The Advisers' investment process consists of: (i) origination and evaluation; (ii) due diligence; (iii) customized transaction and capital structures; (iv) transaction execution; (v) active operations oversight; and (vi) investment realization.

The principals draw on their experience, as well as utilize their network of key relationships to cultivate deal flow in the small to middle-market.

Once a target is identified, the Advisers generally conduct on-site meetings with the company's management team and perform a detailed, preliminary review of the business. If the parties move forward, the Advisers conduct due diligence, including financial and accounting, legal, tax, industry, background, client, operations, technology, benefits and insurance due diligence, typically in stages to reduce transaction costs should an irresolvable issue arise during the process. The Advisers proceed to the closing of an investment only when satisfied with the due diligence review and evaluation.

In executing transactions, the Advisers work diligently to structure and finance a transaction to enhance value at realization. The Advisers refine customized transaction and capital structures that seek to align the interests of sellers and managers of acquired businesses with the interests of the Fund.

Post-acquisition, the Advisers work with a portfolio company's executive team to focus on the following objectives: (i) developing detailed strategic plans; (ii) delivering excellent client service; (iii) adding complementary services and expanding geographically; (iv) recruiting and retaining highly qualified professional and corporate personnel; (v) ensuring responsibility and accountability at various levels of operations; (vi) generating revenue growth and business development; (vii) identifying areas of potential cost savings; (viii) evaluating personnel against measurable criteria; (ix) promoting strategic growth through acquisitions, joint ventures and geographic market expansion; (x) securing flexible financing for operations and opportunities; (xi) directing formal budgeting; and (xii) structuring appropriate management incentive programs to promote long-term objectives.

The Advisers emphasize early identification of multiple prospective exit scenarios. The underlying characteristics of investments are monitored, while the Advisers partner with management to position the company for an appropriate exit opportunity. The Advisers believe their experience with various exit strategies, including strategic and financial sales, restructurings, management buyouts and public offerings, provides a solid base from which to evaluate and pursue multiple exit alternatives.

Risks of Investment

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Although the following risk factors are generally applicable to each Fund, investors should also refer to a Fund's private placement memorandum for risk factors specific to that Fund. In general, the risks involved with the Advisers' investment strategy and an investment in each Fund include, but are not limited to those described below.

Business Risks. The Fund's investment portfolio consists primarily of securities issued by privately held companies, and operating results in a specified period are difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance. The performance of the principals' prior investments, and the performance of the Fund to date, is not necessarily indicative of the Fund's future results. While the General Partner intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Investment in Junior Securities. The securities in which the Fund invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect the Fund's investment, once made.

Concentration of Investments. The Fund participates in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or industry may substantially affect its aggregate return.

Lack of Sufficient Investment Opportunities. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Fund will never be fully invested, if enough sufficiently attractive investments are not identified. However, Limited Partners are required to pay annual Management Fees during the Investment Period based on the entire amount of their Commitments.

Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating

the Fund (including the annual Management Fee) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded Commitments.

Leveraged Investments. The Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies increases the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be tight at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund invests generally are not rated by a credit rating agency.

Restricted Nature of Investment Positions. Generally, there is no readily available market for Fund investments, and hence, most of the Fund's investments are difficult to value. Certain investments may be distributed in kind to the Partners.

Reliance on the General Partner and Portfolio Company Management. At the time of formation of a new Fund, such Fund will have no operating history. Control over the operation of the Fund is vested with the General Partner, and the Fund's future profitability depends largely upon the business and investment acumen of the principals. The loss or reduction of service of any key principal could have an adverse effect on the Fund's ability to realize its investment objectives. Limited Partners generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund depends on the actions of the General Partner. Although the General Partner monitors the performance of each Fund investment, it is primarily the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. There can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

Projections. Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are

developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Fund's activities, including the ability of the Fund to implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of recent scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent the Fund's efforts to consummate investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Fund may invest in fewer transactions or incur greater expenses or delays in completing investments than it otherwise would have.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance the Fund will make follow-on investments, or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for the Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party invests in such portfolio company.

Risks Associated with Acquisition Strategy of the Portfolio Companies. An important part of the Fund's strategy is to form portfolio companies that will acquire additional established businesses within a given sector, with the goal of increasing revenues and the number of markets the portfolio company serves and the services it offers. There can be no assurance, however, that any portfolio company will be able to identify, consummate or economically integrate acquired companies without substantial delays, costs or other problems. In addition, once integrated, such businesses may not achieve sales and/or profitability commensurate with projections or that otherwise justify the prices paid for such businesses. The acquisition strategies of the portfolio companies also may involve other risks, including adverse short-term effects on operating results, impairments of goodwill and other intangible assets and the diversion of managements' attention.

Non-U.S. Investments. The Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with

fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or the Partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the Partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

General Partner's Carried Interest. The fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner to cause the Fund to make riskier or more speculative investments than otherwise would be the case.

Public Company Holdings. The Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks may include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the principals, and increased costs associated with each of the aforementioned risks.

Director Liability. The Fund often obtains the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

Uncertain Economic and Political Environment. The global economic and political climate is uncertain. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, continues to be restricted. This may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections.

Market Conditions. Any material change in the economic environment, including a slowdown in economic growth and/or changes in interest rates or foreign exchange rates, could

have a negative impact on the performance and/or valuation of the portfolio companies. The Fund's performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007, which can impact the public market comparable earnings multiples used to value privately held portfolio companies. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. Following the onset of the credit crisis, the rate of future investment by funds has slowed and may continue to do so as the pricing of new transactions adjusts to reflect the current economic uncertainty and the lack of credit in the markets. Holding periods are also likely to be longer as the rate of realizations slows in light of the deterioration in market conditions for initial public offerings and a decline in mergers and acquisitions activity. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of the credit crisis may also affect the Fund's ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

Conflicts of Interest

During a Fund's active investment period (the "Primary Fund"), the principals will generally pursue all appropriate investment opportunities that meet the investment criteria of the Primary Fund for the benefit of such Fund, subject to certain exceptions set forth in the Primary Fund's Partnership Agreement. However, the principals may manage several other Private Investment Funds and investments similar to those in which the Primary Fund will be investing, and, subject to the applicable Partnership Agreements or other applicable governing documents, may direct certain relevant investment opportunities to those investment funds and investments. The principals and the Advisers' investment staff will continue to manage and monitor such Private Investment Funds and investments. Such other Private Investment Funds and investments that the principals may control may compete with the Primary Fund or companies acquired by the Primary Fund. Following a Fund's active investment period, the principals will continue to manage such Fund's investments, but also may, and likely will, focus investment activities on other opportunities and areas unrelated to such Fund's investments. Certain investments may be allocated between a Fund and any successor or predecessor Private Investment Fund in a manner as set forth in the applicable Partnership Agreements or other applicable governing documents.

The Advisers believe that the significant investment of the principals in each Fund, as well as the principals' interest in the carried interest, operate to align, to some extent, the interest of the principals with the interest of each Fund's Limited Partners, although the Principals have economic interests in such other Private Investment Funds and investments as well and may receive management fees and carried interests relating to these interests. In addition, because each General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for the General Partners to cause the Funds to make riskier or more speculative investments than would otherwise be the case.

The Advisers may serve as investment managers to certain co-invest vehicles which invest alongside the Funds in portfolio companies. Certain affiliates and personnel of the Advisers and other third party investors may be permitted to participate in the co-invest vehicles or in some cases co-invest directly in a particular portfolio company. Any co-invest

opportunities are generally only offered to co-invest vehicles or direct co-investors if there is excess capacity in a particular investment opportunity (i.e., if the Funds have determined not to purchase the entire investment opportunity). The Advisers will select which investors are permitted to invest in co-invest vehicles or co-invest directly in a particular portfolio company based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons as more fully described in the applicable Fund's Partnership Agreement. Since it is the Advisers' policy to give the Funds priority with respect to investment opportunities, the co-invest vehicles and third party co-investors will only receive co-invest opportunities from time to time to the extent an investment opportunity is not fully allocated to the Funds.

DISCIPLINARY INFORMATION

The Management Company and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Management Company is affiliated with General Partner I, General Partner II and Lake LLC, each a relying adviser registered as an investment adviser in accordance with SEC guidance.

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

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of the Principals and other investment professionals and employees and addresses conflicts that arise from personal trading. The Code requires Lake personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of an initial public offering or limited offering; and
- comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any investor or prospective investor upon request to Lake's Chief Compliance Officer at (312) 640-7050. The Code requires personal securities transactions to be conducted in a manner that prioritizes the Funds' (and any other client's) interests.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using

such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

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

Principals and other employees of the Management Company and its affiliates may directly or indirectly own an interest in Private Investment Funds. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds, subject to any limitations set forth in the applicable Partnership Agreements. General Partner I committed \$15 million to Fund I and General Partner II committed \$15 million to Fund II.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Private Investment Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Private Investment Funds, even though their investment objectives may be the same or similar.

BROKERAGE PRACTICES

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

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

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of eligible brokers' transaction fees and to reduce the expenses incurred for effecting client

transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, the Advisers may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Management Company generally does not make use of such services at the current time and has not made use of such services since its inception. As a general matter, any such research may be shared between the Advisers and their affiliates and may be used to service one or more of the Private Investment Funds regardless of which Private Investment Fund paid the brokerage commission being applied toward payment for such research services. There is no agreement or formula for the allocation of brokerage business on the basis of research services.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several Private Investment Funds at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund is favored over any other Private Investment Fund.

REVIEW OF ACCOUNTS

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Private Investment Funds invest. The Limited Partner Committee members of the respective General Partner, bear the primary responsibility for confirming that each Adviser manages a private fund in accordance with the private fund’s investment objectives and guidelines. Lake’s Chief Compliance Officer periodically will check to confirm that each private fund is being managed in accordance with its stated objectives.

Each Fund generally provides to its Limited Partners: (i) annual GAAP audited and quarterly unaudited financial statements and (ii) annual tax information necessary for each Limited Partner’s tax return.

CLIENT REFERRALS AND OTHER COMPENSATION

The Advisers and their affiliates may enter into placement agreements or solicitation arrangements pursuant to which the Advisers compensate third parties for referrals that result in a potential investor becoming a limited partner in a Private Investment Fund. The Advisers do

not currently have any such agreements or arrangements, but they would expect that any fees and expenses payable to any such placement agents would generally be borne by the Advisers directly or indirectly through an offset against the applicable Private Investment Fund's Management Fee.

The Management Company and/or its affiliates may provide certain business or consulting services to a Fund's portfolio companies and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation may, in certain cases, offset a portion of the Management Fees paid by such Fund.

CUSTODY

The Advisers maintain custody of each Fund's assets held in each Fund's name with Silicon Valley Bank, The Northern Trust Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated, each a qualified custodian.

INVESTMENT DISCRETION

Pursuant to the terms of the applicable Partnership Agreement, Management Agreement and other applicable governing documents, the Management Company has discretion to manage investments on behalf of the Funds; provided that all decisions, consents and other determinations (including, without limitation, decisions, consents and other determinations with respect to a Fund relating to the acquisition and disposition of the Fund's investments, distributions by the Fund of cash and securities and amendments to the respective Partnership Agreement) are made by the General Partner. As a general policy, the Advisers do not allow clients to place limitations on this discretionary authority. Pursuant to the terms of the Partnership Agreements, however, the General Partners may enter into "side letter" arrangements with certain Limited Partners whereby the terms applicable to such Limited Partner's Fund investment may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons or for other agreed upon reasons.

VOTING CLIENT SECURITIES

The Advisers have adopted the Lake Proxy Voting Policies and Procedures (the "Proxy Policy") to address how they will vote proxies, as applicable, for each Fund's (and any Private Investment Fund's) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Funds' investors through the principals' beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of the Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Lake personnel or the Advisers' receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting

guidelines followed by the Advisers when voting proxies on behalf of the Funds. Current and prospective investors who would like a copy of the Advisers' complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies should contact Lake's Chief Compliance Officer at (312) 640-7050, and such information will be provided at no charge.

FINANCIAL INFORMATION

The Management Company does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.