

INVESTMENT ADVISER BROCHURE

GJF FINANCIAL MANAGEMENT II, LLC

**200 Crescent Court, Suite 1350
Dallas, TX 75201**

April 1, 2013

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of GJF Financial Management II, LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact the Management Company’s Chief Compliance Officer at (214) 871-5151. 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 version dated February 14, 2012.

TABLE OF CONTENTS

	<u>Page</u>
Material Changes	i
Advisory Business	1
Fees and Compensation.....	2
Performance-Based Fees and Side-By-Side Management	4
Types of Clients.....	4
Methods of Analysis, Investment Strategies and Risk of Loss.....	4
Disciplinary Information.....	19
Other Financial Industry Activities and Affiliations.....	19
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	20
Brokerage Practices	21
Review of Accounts	22
Client Referrals and Other Compensation.....	22
Custody	22
Investment Discretion.....	23
Voting Client Securities.....	23
Financial Information.....	23
Supplemental Information About Certain Principals of the Advisers	24

ADVISORY BUSINESS

GJF Financial Management II, LLC (the “**Management Company**”) and its affiliates (collectively, “**Ford**”) together are a private investment management firm that focuses on managing private investment funds. The Management Company, a Delaware limited liability company and an investment adviser registered with the U.S. Securities and Exchange Commission (the “**SEC**”), commenced operations in February 2011. As of February 1, 2013, the Management Company managed approximately \$416.8 million in client assets on a discretionary basis.

Ford Management II, L.P., a Delaware limited partnership (the “**General Partner**”), is an affiliate of the Management Company and the general partner of Ford Financial Fund II, L.P. (together with any parallel or alternative investment vehicle formed in connection with the foregoing, the “**Fund**”). The General Partner is registered under the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “**Advisers Act**”) pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure also describes the business practices of both the Management Company and the General Partner, which together operate as a single advisory business.

Pursuant to the Fund’s agreement of limited partnership (the “**Partnership Agreement**”), the General Partner has the authority to make all investment decisions on behalf of the Fund. Pursuant to a management agreement (the “**Management Agreement**”) between the Management Company, the General Partner and the Fund, the General Partner has delegated day-to-day advisory responsibility for the Fund to the Management Company.

The Management Company and the General Partner (collectively, the “**Advisers**”) provide investment supervisory services to their clients, which currently consist of the Fund (and together with any future private investment fund to which the Advisers provide investment advisory services, including employee or co-investment vehicles, parallel funds or alternative investment vehicles, the “**Private Investment Funds**”). The Fund is a private equity fund and invests through negotiated transactions in operating entities. The Advisers’ investment advisory services to the Fund consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. When investing in portfolio companies, the senior principals (the “**Principals**”) or other personnel of the Advisers may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Fund.

The advisory services provided by the Advisers for the Fund are detailed in the Fund’s private placement memorandum, Management Agreement and Partnership Agreement (collectively, the “**Fund Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Fund participate in the Fund’s overall investment program but may be excused from a particular investment due to legal, regulatory or other applicable constraints. In addition, the 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, including

providing informational rights, addressing regulatory matters or varying fees and carried interest, with respect to such investors.

The Management Company's owner is 2011 TCRT, a revocable trust whose settlor and trustee is Gerald J. Ford.

FEES AND COMPENSATION

In general, the Management Company receives a management fee (the “**Management Fee**”) and the General Partner is entitled to receive a carried interest in connection with the advisory services provided to the Fund. Distributions of carried interest are subject to the satisfaction of a Minimum Valuation Test set forth in the Partnership Agreement. The carried interest distributed to the General Partner is generally subject to a potential giveback on an interim basis, as well as at the end of the Fund's life, if the General Partner has received excess cumulative distributions. Ford and/or its affiliates may receive additional compensation in connection with management and other services performed for portfolio companies of the Fund. Investors in the Fund also bear certain expenses. A summary of the Fund's fees follows, but investors should review the Partnership Agreement for details regarding the Fund's fee structure. Terms not defined herein are defined in the Partnership Agreement.

Management Fees

During the Investment Period, the Fund pays an annual Management Fee, payable quarterly in advance, equal to 1.5% of the sum of (i) aggregate investor capital commitments (“**Commitments**”) up to \$600 million plus (ii) aggregate capital contributions in excess of \$600 million. Following the expiration of the Investment Period (or upon the occurrence of other events as set forth in the Partnership Agreement), the Management Fee will be reduced to an amount equal to 1.5% of aggregate investment contributions, less the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or completely written-off in accordance with the Partnership Agreement's valuation provisions. Installments of the Management Fee payable for any period other than a full quarterly period are adjusted on *pro rata* basis according to the actual number of days in such period.

The Fund's Management Fee will generally be reduced, but not below zero, by a percentage of monitoring (including director's), transaction, financial consulting or advisory fees earned by Ford or its affiliates with respect to the Fund's portfolio companies or paid by a portfolio company to Ford or its affiliates, break-up fees from unconsummated transactions paid to Ford or its affiliates in connection with potential Fund investments, and the Fund's proportional share of certain compensation paid to a Principal as an employee of a portfolio company.

Investors participating in a closing after the Fund's initial closing date bear the Management Fee from such initial closing date, with interest. The Management Fee is generally payable until all portfolio investments are distributed or until the Advisers' relationship with such Fund is terminated for other reasons (as described in the Partnership Agreement).

Carried Interest

The General Partner is generally entitled to receive a 20% carried interest with respect to the Fund's realized profits, subject to a preferred return and a General Partner "catch-up," as more fully described in the Partnership Agreement. The Fund's proportional share (based upon its ownership of any particular portfolio company) of proceeds received by any Principal that represents a share of the profits or other returns in excess of invested capital in a portfolio company (other than carried interest and any items that offset the Management Fee) generally will be treated as carried interest received by General Partner and distributed to the Principal following the "catch-up" provisions. Distributions of carried interest also are subject to the satisfaction of a Minimum Valuation Test described in the Partnership Agreement. The carried interest distributed to the General Partner is subject to a potential giveback on an interim basis at times set forth in the Partnership Agreement, as well as at the end of the Fund's life, if the General Partner has received excess cumulative distributions.

Other Information

The General Partner may exempt certain investors in the Fund from payment of all or a portion of Management Fees and/or carried interest, including the Advisers, their affiliates and any other person designated by the Advisers. Any such exemption from fees and/or carried interest may be made by a direct exemption or indirectly through a rebate or an investment in a co-invest vehicle.

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

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

In addition to the Management Fee and carried interest payable to the Advisers, the Fund bears certain expenses. As set forth in the Partnership Agreement and subject to any limitations set forth therein, the Fund generally bears all expenses to the extent not paid or reimbursed by portfolio companies (which reimbursements may be for travel and any other out-of-pocket expenses incurred in connection with the making, monitoring and/or disposing of such portfolio companies), including follow-on investments and refinancings, including, without limitation: legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with the Fund's financial statements, tax returns and Schedule K-1s; out-of-pocket expenses incurred in connection with transactions not consummated; expenses of the advisory board and annual meetings of the Fund's limited partners; insurance (including directors and officers insurance); other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Fund. The Fund is not responsible for the Advisers' expenses in connection with maintaining and operating their offices (such as

compensation of its employees, rent, utilities and general office expenses). Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.”

Any future Private Investment Funds are expected to have fee structures generally similar to those described above.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” the General Partner is entitled to a carried interest allocation on certain realized profits in the Fund. The Advisers currently manage only Private Investment Funds that are charged a performance-based fee.

TYPES OF CLIENTS

Ford provides investment advice to Private Investment Funds, including the Fund. Private Investment Funds 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 “**Investment Company Act**”). Investors participating in the 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 Ford and its affiliates.

The Fund has no minimum investment amount. Fund interests are generally offered and sold only to “accredited investors” as defined in Regulation D promulgated under the Securities Act of 1933, as amended, and to “qualified purchasers” as defined in the Investment Company Act (or qualified knowledgeable Ford personnel), although such qualifications may be waived in certain circumstances.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

The General Partner has selected the Management Company to provide day-to-day investment advisory services to the Fund, subject to the General Partner’s supervision. Since the Advisers share common owners and personnel, the Advisers’ general investment methodology is described below. Fund investors should review the Fund’s private placement memorandum for further information regarding the Fund’s investment strategies. There can be no assurance that the Advisers will achieve the investment objectives of the Fund and a loss of investment may be possible.

Investment and Operating Strategy

The Advisers will apply the Principals’ industry expertise and financial services sector operating capabilities to identify, monitor and evaluate investment opportunities and to add value to its portfolio companies following the Fund’s investment. The Fund intends to make both control and non-control investments in a range of structures.

Investment experience. The Advisers bring to its investment activities an experienced group of Principals who have worked together for many years. Messrs. Ford and Webb have worked together since 1983, successfully acquiring and operating numerous banks and financial services companies. The Principals worked together in a prior fund, which resulted in the acquisition and disposition of Pacific Capital Bancorp.

Industry expertise. The Advisers' investment process emphasizes the use of comprehensive due diligence, industry expertise and regulatory relationships. The Fund's investment activity will remain narrowly focused on financial services—a sector, particularly depository institutions, in which the Principals have wide-ranging expertise and a history of success.

Asset class flexibility. While the Principals expect a majority of the Fund's capital to be deployed in negotiated transactions, the Advisers will seek to invest in the best opportunities available, regardless of asset class. The Fund will have the flexibility to make investments in a range of structures, both control and non-control.

The Fund's strategy can be summarized as follows:

- maintain a narrow focus on the financial services sector, particularly depository institutions;
- utilize the Principals' 35-year industry experience, reputation and relationships to identify growth, turnaround and consolidation opportunities in financial services companies;
- focus on depository institutions that it believes currently have, or have the potential to achieve, strong franchise value;
- seek to mitigate risk through comprehensive due diligence and price discipline;
- primarily invest where the Fund will have operating control, but remain flexible with regard to structure and ownership stake;
- apply its operating experience to each portfolio company; and
- strive to timely exit investments.

The General Partner, the Principals and their affiliates have a collective commitment of at least \$100 million of the aggregate commitments to the Fund.

Risks of Investment

The Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in the Fund include, but are not limited to, those described below. Investors should review the Fund's private placement memorandum for further information regarding the risks specific to an investment in the Fund.

Risks Associated with Investing in Private Equity Funds

Business Risks. The Fund's investment portfolio will consist, in whole or in part, of securities issued by privately held companies, and operating results in a specified period will be

difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. The business of the Fund is to invest in securities and to use investment techniques that involve substantial risks. The prices of the Fund's investments are volatile and market movements are difficult to predict. In addition, the Fund is permitted to utilize leverage, which may increase the risk of loss by the Fund. Also, the Fund may realize gains and losses at any time and in any amounts without regard to whether they are short-term or long-term. The actual results of the Fund may affect individual Limited Partners differently, depending upon their individual financial and tax situations.

Future and Past Performance. The performance of the Principals' prior investments 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 will invest 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 will participate in a limited number of investments and intends to make most of its investments in one industry or one industry segment, and may invest all of its commitments in one portfolio company. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of the financial services industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and, thus, be less diversified.

Lack of Sufficient Investment Opportunities. The business of identifying and structuring investments in financial services companies, including depository institutions, 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. Limited Partners, however, will be required to pay Management Fees during the Investment Period based on the entire amount of the Limited Partners' 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 such portfolio company. 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 also will 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 will increase 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 will invest generally will not be rated by a credit rating agency.

Limited Transferability of Partnership Interests. There will be no public market for interests in the Fund, and none is expected to develop. There are substantial restrictions upon the transferability of interests in the Fund under the Partnership Agreement and applicable securities laws. In general, withdrawals of interests in the Fund are not permitted. In addition, interests in the Fund are not redeemable.

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

Reliance on the General Partner and Portfolio Company Management. Control over the operation of the Fund will be vested entirely with the General Partner, and the Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals 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 will depend on the actions of the General Partner. Although the General Partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Fund generally intends to invest in companies with strong management or recruit strong management to such companies and the Principals may take active roles in management, 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. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an

adverse effect on the Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Absence of Operating History. The Fund has no operating history and will be entirely dependent on the General Partner. There can be no assurance that the Fund's investments will achieve results similar to those attained by previous investments of the Principals. In addition, the Fund's investments may differ from previous investments made by the Principals in a number of respects.

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.

New Withholding Tax on Certain Non-U.S. Entities. Legislation enacted in 2010, generally imposes, beginning January 1, 2014, a new withholding tax of 30% that will apply to distributions from the Fund to non-U.S. entities in respect of most payments attributable to investments in the United States, including distributions attributable to dividends, interest and gross proceeds of a disposition of stock or debt instruments, unless the foreign entity complies with certain conditions or an exception applies.

Alternative Investment Fund Managers Directive. The EU Alternative Investment Fund Managers Directive ("AIFMD") comes into effect on July 22, 2013. The AIFMD regulates the activities of private fund managers undertaking fund management activities or marketing fund interests to investors within the EU. If the Fund is marketed to EU-based investors from July 22, 2013: (i) the Fund will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses; and (ii) the AIFMD will also restrict certain activities of the Fund in relation to EU portfolio companies including, in some circumstances, The Fund's ability to recapitalize, refinance or potentially restructure an EU portfolio company within the first two years of ownership. In addition, it is possible that some EU jurisdictions will elect to restrict or prohibit the marketing of non-EU funds to investors based in those jurisdictions, which may limit the opportunity of the Fund to raise its targeted amount of commitments.

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

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 that 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.

Hedging Arrangements. The General Partner may (but is not obligated to) endeavor to manage the Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks.

Certain hedging arrangements may create for the General Partner and/or one of its affiliates a registration or exemption obligation with the U.S. Commodity Futures Trading Commission or other regulator.

Significant Adverse Consequences for Default. The Partnership Agreement provides for significant adverse consequences in the event a Limited Partner defaults on its Commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting Limited Partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

Dilution. Limited Partners admitted to the Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing Limited Partners in such investments. Although any such new Limited Partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

Transfer by General Partner. To the extent the General Partner, its partners, the Principals and/or their respective affiliates commit to make an investment in the Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.

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 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.

Non-controlling Investments. The Fund may hold meaningful minority stakes in privately or publicly held companies. In addition, during the process of exiting investments, the Fund, at times, may hold minority equity stakes of any size, including after any portfolio holding is taken public. As is the case with minority holdings in general, such minority stakes that the Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.

Director Liability. The Fund will often seek to obtain 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.

Delayed Schedule K-1s. The Fund may not be able to provide final Schedule K-1s to Limited Partners for any given fiscal year until after April 15 of the following year. The General Partner will endeavor to provide Limited Partners with final Schedule K-1s or with estimates of

the taxable income or loss allocated to their investment in the Fund on or before such date, but final Schedule K-1s may not be available until the Fund has received tax-reporting information from its portfolio companies necessary to prepare final Schedule K-1s. Limited Partners may be required to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. 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. 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. Furthermore, such uncertainty may have an adverse effect upon portfolio companies in which the Fund makes investments.

Risks Associated with Investing in Banks, Bank Holding Companies and other Financial Institutions

There are risks associated with investing in banks and bank holding companies. The Fund will likely become a regulated bank holding company. The U.S. banking industry is highly regulated under U.S. federal and state law. This regulation will affect the operations of the Fund and its portfolio companies. Investors should understand that the primary objective of the U.S. bank regulatory regime is the protection of depositors - not the protection of shareholders and investors.

The following discussion provides an overview of certain aspects of the U.S. bank regulatory regime. This overview is qualified in its entirety by reference to the applicable statutes or regulatory provisions. This overview is not intended to be an exhaustive description of all applicable statutes and regulations. The Fund and its portfolio companies will be subject to additional laws, regulations and requirements that are not discussed below.

Requirement to Become a Regulated Holding Company. The Fund intends to acquire direct or indirect control of one or more banks and/or thrifts (the “**Portfolio Institutions**”). Any entity that acquires direct or indirect control of a bank must obtain prior approval of the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”) to become a bank holding company (a “**BHC**”) pursuant to the Bank Holding Company Act of 1956 (the “**BHC Act**”). A BHC is subject to ongoing supervision, regulation, examination and enforcement by the Federal Reserve. This Federal Reserve jurisdiction also extends to any company that is directly or indirectly controlled by a BHC, such as subsidiaries and other companies in which the BHC makes a controlling investment.

A thrift is a type of depository institution that operates in a manner generally similar to a bank. Thrifts include federal savings associations, federal savings banks, state savings banks, savings and loans, and similar institutions. As a very general matter, thrifts are subject to many of the same or similar regulatory provisions as are banks, but thrifts are subject to additional

legal requirements that generally serve to focus their activities on housing finance and mortgage lending. Following the merger of the Office of Thrift Supervision (the “OTS”) with other federal banking agencies in July 2011, thrifts chartered under federal law are currently regulated by the Comptroller of the Currency (“OCC”), and the Federal Reserve regulates the ownership of thrifts. Any entity (other than a BHC) that acquires direct or indirect control of a thrift must obtain prior approval of the Federal Reserve to become a savings and loan holding company (a “SLHC”). A SLHC is subject to many of the same or similar requirements as a BHC, including limitations on activities and investments. A SLHC is subject to ongoing supervision, regulation, examination and enforcement by the Federal Reserve.

BHCs and SLHCs are collectively referred to herein as “Regulated Holding Companies.” Banks and thrifts are collectively referred to herein as “Depository Institutions.”

It is intended that the Fund will become a Regulated Holding Company subject to ongoing supervision, regulation, examination and enforcement by the Federal Reserve. Any legal entity that is deemed to control the Fund (including the General Partner) also will be required to be approved to become a Regulated Holding Company.

Regulatory Notice and Approval Requirements. A Regulated Holding Company must obtain prior approval of the Federal Reserve in connection with any acquisition that results in the Regulated Holding Company owning or controlling more than five percent of any class of voting securities of a Depository Institution or another Regulated Holding Company.

The ability of the Fund to make investments in Portfolio Institutions will depend on its ability to obtain approval of the applicable regulatory authority, which could deny an application by the Fund based on various considerations, including the condition or regulatory status of the General Partner or other Portfolio Institutions.

Federal and state laws impose additional notice, approval and ongoing regulatory requirements on any investor that seeks to acquire direct or indirect “control” of a Depository Institution or Regulated Holding Company. These laws include the BHC Act, the Home Owners’ Loan Act and the Change in Bank Control Act. Among other things, these laws require regulatory filings by an investor that seeks to acquire direct or indirect “control” of a Depository Institution. The determination whether an investor “controls” a Depository Institution is based on all of the facts and circumstances surrounding the investment. As a general matter, an investor is deemed to control a Depository Institution or other company if the investor owns or controls 25% or more of any class of voting stock. Subject to rebuttal, an investor may be presumed to control a Depository Institution or other company if the investor owns or controls 10% or more of any class of voting stock.

It is intended that the Fund will be a Regulated Holding Company. If a Limited Partner’s ownership of the Fund were to exceed certain thresholds, the Limited Partner could be deemed to “control” the Fund for regulatory purposes. This could subject the Limited Partner to regulatory filings or other regulatory consequences. For this reason, the General Partner will use reasonable efforts to avoid any Limited Partner acquiring “control” of the Fund. Even if not deemed to control the Fund, Limited Partners having 10% or more of the Fund’s partnership interests could

be required to execute commitments with the Federal Reserve limiting their relationships with certain Portfolio Institutions.

Broad Supervision, Examination and Enforcement Powers. A principal objective of the U.S. bank regulatory regime is to protect depositors by ensuring the financial safety and soundness of Depository Institutions. To that end, the Federal Reserve and other regulators have broad regulatory, examination and enforcement authority. The regulators regularly examine the operations of Depository Institutions and Regulated Holding Companies. In addition, Depository Institutions and Regulated Holding Companies are subject to periodic reporting requirements.

The regulators have various remedies available if they determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of a banking organization's operations are unsatisfactory. The regulators also may take action if they determine that the banking organization or its management is violating, or has violated, any law or regulation. Engaging in unsafe or unsound practices or failing to comply with applicable laws, regulations and supervisory agreements could subject the Portfolio Institutions, the Fund, the General Partner or their officers, directors and institution-affiliated parties to sanctions imposed by the regulators.

Financial Regulatory Reform. In 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) into law. The Dodd-Frank Act, together with the regulations to be developed thereunder, includes provisions affecting large and small financial institutions alike, including several provisions that will affect how community banks, thrifts and small bank and thrift holding companies will be regulated in the future. Among other things, the Dodd-Frank Act: (i) authorizes the Federal Reserve to limit interchange fees payable on debit card transactions, (ii) establishes the Bureau of Consumer Financial Protection as an independent entity within the Federal Reserve, which will have broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home equity loans and credit cards, (iii) contains provisions on mortgage-related matters, such as steering incentives, determinations as to a borrower's ability to repay and prepayment penalties, (iv) includes provisions that affect corporate governance and executive compensation at all publicly-traded companies, and (v) imposes more stringent capital requirements on bank holding companies and subjects certain activities, including interstate mergers and acquisitions, to heightened capital conditions. Numerous provisions of the Dodd-Frank Act are required to be implemented through rulemaking by the appropriate federal regulatory agencies over the next few years. It is not clear what form such regulations will ultimately take or if certain provisions of the Dodd-Frank Act will be amended prior to their implementation. Furthermore, while the reforms primarily target systemically important financial service providers, their influence is expected to filter down in varying degrees to smaller institutions over time. As a result, in many respects, the ultimate impact of the Dodd-Frank Act will not be fully known for years, and no current assurance may be given that the Dodd-Frank Act, or any other new legislative changes, will not have a negative impact on the operating results and financial condition of Portfolio Institutions.

Bank Holding Company as a Source of Strength. It is a policy of the Federal Reserve that a BHC should serve as a source of financial and managerial strength to the Depository Institutions that it controls. This was not a policy of the OTS with respect to the obligations of an SLHC to a Depository Institution that it controls. Given that the Federal Reserve has become the primary federal regulator of SLHCs and that under the proposed Basel III regulations, discussed below, SLHCs will have the same capital requirements as BHCs, the policy for SLHCs on this subject likely will be altered to align more closely with those for BHCs. The regulators may require certain financial and other action by a Regulated Holding Company in support of controlled Depository Institutions even if such action is not in the best interests of the Regulated Holding Company or its shareholders.

Because it is intended that the Fund will be a Regulated Holding Company, the regulators may view the Fund (and the Fund's consolidated assets) as a source of financial and managerial strength for the Portfolio Institutions.

Permissible Activities and Investments of a Regulated Holding Company. The types of activities and investments that can be conducted, directly or indirectly, by a Regulated Holding Company are limited by applicable law to those that are generally related to the banking business. A Regulated Holding Company is generally not permitted to engage in commercial, manufacturing or industrial activities. The ability of a Regulated Holding Company to make equity investments in commercial, manufacturing and industrial firms also is limited.

The Gramm-Leach-Bliley Act of 1999 expanded the universe of activities and investments permissible for those BHCs that meet certain criteria to qualify as a "financial holding company." In general, a financial holding company or SLHC may engage in activities that are (i) financial in nature or incidental to such financial activity or (ii) complementary to a financial activity. Permissible activities for a financial holding company include the activities permissible for a Regulated Holding Company, as well as:

- insurance agency and underwriting activities;
- financial, investment or economic advisory services;
- underwriting, dealing in or making a market in securities; and
- investing in non-financial companies pursuant to applicable regulations.

Because it is intended that the Fund will be a Regulated Holding Company, the activities and investments of the Fund will be limited as described above. The Fund may seek to qualify as a financial holding company. The ability of the Fund to qualify as a financial holding company will depend on the status of all of its controlled Portfolio Institutions. If one Portfolio Institution fails to meet the required criteria, it would affect the ability of the Fund and its other portfolio investments to rely on financial holding company authority.

Capital Adequacy and Prompt Corrective Action. The regulators view capital levels as important indicators of a Depository Institution's financial soundness. Depository Institutions are required to maintain minimum capital relative to the amount and types of assets they hold. The final supervisory judgment on a Depository Institution's capital adequacy is based on the regulator's individualized assessment of numerous factors.

In assessing the capital adequacy of a Depository Institution, the regulators generally look to the following key ratios:

- Total Risk-Based Capital Ratio = qualifying total capital / risk-weighted assets;
- Tier 1 Risk-Based Capital Ratio = Tier 1 capital / risk-weighted assets; and
- Leverage Ratio = Tier 1 capital / adjusted total assets.

The components and calculation of qualifying total capital, Tier 1 capital, risk-weighted assets and adjusted total assets are set forth in the applicable regulatory guidelines. A Depository Institution will fall within one of five capital categories, depending on the results of such calculations: (i) well capitalized, (ii) adequately capitalized, (iii) undercapitalized, (iv) significantly undercapitalized and (v) critically undercapitalized.

A Depository Institution's capital category can be affected by factors in addition to its capital ratios, such as the existence of enforcement or other orders involving the Depository Institution or its holding company. The regulators may set higher capital requirements for a particular institution when circumstances warrant.

The Federal Deposit Insurance Corporation Improvement Act created a system of automatic and supervisory measures that are triggered based on the capital category of an institution. This system is called Prompt Corrective Action. Prompt Corrective Action permits, and in certain cases requires, the regulators to take action with respect to institutions that are undercapitalized, significantly undercapitalized or critically undercapitalized, including appointing a conservator or receiver for the institution.

The Portfolio Institutions will be subject to minimum capital requirements and capital adequacy guidelines. If a Portfolio Institution becomes undercapitalized or is otherwise in financial distress, then regulatory action may be required or authorized under the Prompt Corrective Action system and other laws. As Regulated Holding Companies, the General Partner, the Management Company and the Fund also will be subject to regulatory capital requirements.

Basel III In 2010, the oversight body of the Basel Committee on Banking Supervision, announced its agreement to a strengthened set of capital requirements for banking organizations in the United States and around the world, known as Basel III. In June 2012, the regulatory agencies issued three notices of proposed rulemaking and one joint final rule that would revise and replace the agencies' current capital rules. The new rules are intended to implement the Basel III capital standards (although there are some differences in timing and scope) and to comply with the Dodd-Frank Act's requirements that all insured depository institutions and their holding companies are subject to the same generally applicable capital standards. The proposed Basel III regulations would require, among other things, increased minimum common equity, Tier 1 capital and Total Capital, including requiring that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress and a countercyclical buffer to achieve the broader goal of protecting the banking sector from periods of excess aggregate credit growth. Additionally, certain deductions and prudential filters,

including minority interests in financial institutions, mortgage servicing rights and deferred tax assets from timing differences, would be deducted from common equity, and certain instruments that no longer qualify as Tier 1 capital, such as trust preferred securities, also would be subject to phase-out. Although the final Basel III regulations likely will result in generally higher regulatory capital standards, it is difficult to predict how and when any new standards ultimately would be applied to, and the potential impact on, the Fund and Portfolio Institutions.

Regulatory Limits on Dividends and Distributions. The ability of a Depository Institution to pay dividends and make other distributions is limited by federal and state law. The specific limits depend on a number of factors, including the institution's type of charter, recent earnings, recent dividends, level of capital and regulatory status. The regulators are authorized, and under certain circumstances are required, to determine that the payment of dividends or other distributions by a Depository Institution would be an unsafe or unsound practice and to prohibit that payment. The ability of a Regulated Holding Company to pay dividends and make other distributions also can be limited.

The ability of the Portfolio Institutions and the Fund to pay dividends or make other distributions (such as to the General Partner or Limited Partners) will be limited by minimum capital and other requirements prescribed by law and regulation. The regulators will have authority to impose additional limits on dividends and distributions by the Portfolio Institutions or the Fund.

FDIC as Insurer of Deposits. The FDIC serves as the insurer of bank deposits. Deposit insurance is generally required to conduct retail deposit-taking activity in the United States. Depository Institutions are required to pay deposit insurance premiums. The FDIC is authorized to terminate a Depository Institution's deposit insurance if the FDIC finds that the institution's financial condition is unsafe or unsound, that the institution has engaged in unsafe or unsound practices or that the institution has violated any applicable rule, regulation, order or regulatory condition.

FDIC as Receiver. Depository Institutions are generally not within the scope of corporate bankruptcy laws. Instead, the Federal Deposit Insurance Act provides that the FDIC may be appointed as the conservator or receiver for a Depository Institution under certain circumstances.

In the event of the liquidation or other resolution of a Depository Institution, the claims of depositors will have priority over other general unsecured claims against the institution. Certain claims by the FDIC also will have priority over other general unsecured claims. In the event of a Depository Institution's failure, claims by shareholders of the institution (such as a parent holding company) will be subordinate to claims made by, among others, secured creditors, insured depositors, uninsured depositors, general creditors and holders of subordinated debt.

Cross-Guarantee Liability to the FDIC. The FDIC serves as the receiver for failed Depository Institutions. If the FDIC suffers a loss in connection with the failure of one Depository Institution, the FDIC can make a claim against another Depository Institution that is controlled by the same company as the failed institution. The FDIC's claim is superior to claims

of stockholders of the failed Depository Institution or its holding company. The FDIC may decline to enforce these provisions, known as the cross-guarantee provisions, if it determines that a waiver is in the best interest of the deposit insurance fund.

If one Portfolio Institution fails, then any other Portfolio Institution could become liable to the FDIC pursuant to the cross-guarantee provisions. In its discretion, the General Partner may seek to obtain a waiver from the FDIC or to make investments in Portfolio Institutions through a separate alternative investment vehicle structure. There can be no assurance that such structures will avoid the potential application of the cross-guarantee provisions.

FDIC Assisted Transactions. The Fund's investment strategy may involve the acquisition of failed Depository Institutions from the FDIC by the Fund or by Portfolio Institutions. In 2009, the FDIC issued a Statement of Policy on Qualifications for Failed Bank Acquisitions (the "**SOP**"). The SOP applies in a broad range of situations involving "private investors" in banking organizations that seek to acquire a failed Depository Institution from the FDIC and includes, among other things, a continuity of ownership requirement and enhanced Tier 1 ratio requirements for the Depository Institution that results from the acquisition. The Fund and its Portfolio Institutions will need to consider the impact of the SOP in evaluating potential FDIC assisted transactions, and will be subject to the restrictions and requirements of the SOP to the extent they consummate an FDIC assisted transaction.

Anti-Money Laundering Requirements. The Fund and the Portfolio Institutions will be subject to various anti-money laundering and counter-terrorist financing laws and regulations. The applicable regulators also have supervisory authority to require that the Fund and the Portfolio Institutions adopt various best practices related to anti-money laundering and counter-terrorist financing. For example, the General Partner and the Fund will conduct reasonable due diligence regarding the identities of the Limited Partners. Failure by a Portfolio Institution, the Fund or the General Partner to comply with these laws and regulations could result in civil money penalties and other civil or criminal sanctions.

Consumer Laws and Regulations. Depository Institutions are subject to numerous laws and regulations intended to protect consumers. These federal, state and local laws regulate the manner in which financial institutions deal with customers when taking deposits, making loans or conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general, and civil or criminal liability.

The Community Reinvestment Act. The Community Reinvestment Act (the "**CRA**") is intended to encourage Depository Institutions to help meet the credit needs of their service areas, including low and moderate income neighborhoods, consistent with safe and sound operations. The regulators examine Depository Institutions and assign each a public CRA rating. The CRA then requires the regulators to take into account the institution's record in meeting the needs of its service area when considering an application by the institution to establish a branch or to conduct certain mergers or acquisitions. The regulators are required to consider the CRA records of a Regulated Holding Company's controlled Depository Institution

when considering an application by the holding company to acquire a Depository Institution or to merge with another Regulated Holding Company.

When the Fund applies for regulatory approval to make certain investments, the regulators will consider the CRA record of the target institution and the Portfolio Institutions. An unsatisfactory CRA record could substantially delay approval or result in denial of an application.

Limits on Transactions with Affiliates and Insiders. Depository Institutions are subject to restrictions on their ability to conduct transactions with affiliates and other related parties. Section 23A of the Federal Reserve Act imposes quantitative limits, qualitative requirements and collateral requirements on certain transactions by a Depository Institution with, or for the benefit of, its affiliates. Transactions covered by section 23A include loans, extensions of credit, investment in securities issued by an affiliate and purchases of assets from an affiliate. Section 23B of the Federal Reserve Act requires that most types of transactions by a Depository Institution with, or for the benefit of, an affiliate be on terms at least as favorable to the institution as if the transaction were conducted with an unaffiliated third party. The Federal Reserve's Regulation O imposes restrictions and procedural requirements in connection with the extension of credit by a Depository Institution to directors, executive officers, principal stockholders and their related interests.

Effect of Regulatory Policies on Economic Environment. Regulatory policies have a significant effect on the operating results of Regulated Holding Companies and their subsidiaries. For example, the Federal Reserve has various means by which it can affect the money supply. These means include open market operations in U.S. government securities, changes in the discount rate on member bank borrowings, changes in reserve requirements against bank deposits and changes in capital requirements. These and other means are used in varying combinations to influence overall growth and distribution of loans, investments and deposits. Their use also may affect interest rates charged on loans or paid for deposits. Federal Reserve monetary policies have materially affected the operating results of Depository Institutions in the past and are expected to continue to do so in the future. The nature of future monetary policies and the effect of such policies on the Fund's business and earnings cannot be predicted.

Changes in Laws, Regulations, or Policies. In addition to anticipated rulemaking under the Dodd-Frank Act and Basel III, federal, state and local legislators and regulators regularly introduce measures that would modify the regulatory requirements applicable to Depository Institutions, their holding companies and other financial institutions. For example, the Federal Reserve recently has adopted numerous new regulations addressing banks' credit card, overdraft and mortgage lending practices. Additional consumer protection regulation is anticipated in the near future, in particular from the new Bureau of Consumer Financial Protection established under the Dodd-Frank Act. In addition, the Dodd-Frank Act requires the Federal Reserve and other regulatory bodies to conduct studies and adopt regulations covering a broad array of financial services activities. Such regulations likely will change many banking laws and the operating environment for Portfolio Institutions in substantial and unpredictable ways.

Conflicts of Interest

The Principals may spend a portion of their business time and attention on affairs not involving the Fund, including without limitation, their pursuit of investment opportunities that do not fall within the investment objectives of the Fund, as well as to the affairs involving any predecessor private investment fund or any other entity in which a Principal has an investment or for which a Principal serves as an officer, director, trustee or in a similar capacity, in each case, as of the initial closing date. Such entities include, without limitation, Hilltop Holdings Inc. The Principals and the Advisers' investment staff will continue to manage and monitor such investments, although the Principals expect that the time required doing so will be less than will be spent on the Fund matters. The General Partner believes that the significant investment of the Principals in the Fund and the Principals' interest in the carried interest operate to align, to some extent, the interest of the Principals with the interest of the Partners, although the Principals have economic interests in such other investments as well and receive management fees and carried interests relating to some of these interests. Such other investments that the Principals may control may compete with the Fund or companies acquired by the Fund. At such time as the General Partner is permitted to raise a successor investment fund to the Fund, the Principals will continue to manage the Fund's investments, but also may and likely will focus investment activities on other opportunities and areas unrelated to the Fund's investments. Certain investments may be allocated between the Fund and any successor or predecessor fund in a manner as set forth in the Partnership Agreement.

In the event a conflict of interest arises, the Advisers will attempt to resolve such conflict of interest in light of its obligations to Fund investors, and will attempt to allocate investment opportunities in a fair and equitable manner. Where necessary, the Advisers may consult with and receive consent to conflicts from an advisory board consisting of certain Fund investors.

DISCIPLINARY INFORMATION

Neither the Advisers nor their management persons have been subject to any material legal or disciplinary events required to be disclosed in this Brochure. Additional information concerning the Advisers and their supervised persons is disclosed in the Management Company's Form ADV Part 1.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Management Company is affiliated with the General Partner, which is registered with the SEC under the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. The Management Company and the General Partner operate as a single advisory business and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Mr. Ford, through various family limited partnerships, is the largest shareholder of Hilltop Holdings Inc. and owns a controlling interest in First Acceptance Corporation. Hilltop Holdings Inc. is a Dallas-based, public financial holding company that is a regional commercial banking franchise and insurance company. Through Hilltop Holdings Inc.'s wholly owned

subsidiary, PlainsCapital Corporation, it has three operating subsidiaries: PlainsCapital Bank, PrimeLending (mortgage lending), and First Southwest (public finance, corporate finance, clearing services, asset management and capital markets). Through Hilltop Holdings Inc.'s other wholly owned subsidiary, NLASCO, Inc., it provides property and casualty insurance from two insurance companies.. First Acceptance, also a public company, is a holding company for a non-standard automobile insurance company.

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 Advisers’ Principals and employees and addresses conflicts that arise from personal trading. Subject to limited exceptions set forth in the Code, the Code requires all of the Advisers’ personnel to report periodically their personal securities transactions and holdings to the Advisers’ Chief Compliance Officer and to obtain approval from the Advisers’ Chief Compliance Officer prior to acquiring or disposing of, directly or indirectly, beneficial ownership of certain restricted securities or acquiring, directly or indirectly, beneficial ownership of securities in an initial public offering or in a limited offering. A copy of the Code will be provided to any investor or prospective investor upon request to Ford’s Chief Compliance Officer at (214) 871-5151. Personal securities transactions are required to be conducted in a manner that prioritizes the Fund’s (or any other client’s) interests in eligible investments.

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

Principals and employees of the Advisers and its affiliates may directly or indirectly own an interest in the Fund, including in co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Fund, subject to any limitations set forth in the Partnership Agreement. With respect to the Fund, the General Partner, the Principals and their respective affiliates have committed in the aggregate, directly or indirectly, at least \$100 million of the Fund’s aggregate Commitments.

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 Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Fund, even though their investment objectives may be the same or similar. The Fund's Partnership Agreement generally limits the extent to which persons affiliated with the Advisers and/or other investment vehicles managed by the Advisers and their affiliates may invest in investments held, suitable for or being pursued by the Fund.

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 also may distribute securities to investors in the Fund 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 the Advisers sell publicly traded securities for the Fund, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) prompt execution of orders, (ii) the reliability, integrity, financial condition and execution capability of the firm being considered for effecting transactions in light of the size and difficulty of executing the order, (iii) the price and (iv) the capabilities of firms to supply research services.

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 the Advisers generally 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, they 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 Advisers generally do not make use of such services. 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 the purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of

order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers also may 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 Fund 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 Management Company, the General Partner and Principals closely monitor companies in which the Fund invests, and the Advisers’ Chief Compliance Officer periodically checks to confirm that the Fund is maintained in accordance with its stated objectives as set forth in the Partnership Agreement.

The Fund generally provides to its limited partners (i) on a quarterly basis (for the first three quarters of the fiscal year), unaudited financial statements and a narrative summary of the status of each portfolio company in which the Fund has invested and (ii) on an annual basis, audited financial statements, tax information necessary for each limited partner’s tax return, and valuations of such Fund’s investments as of the end of such year.

CLIENT REFERRALS AND OTHER COMPENSATION

An Adviser and/or its affiliates may provide certain business or consulting services to the Fund’s portfolio companies and may receive compensation from these companies in connection with such services in addition to the Management Fee. Certain of such fees may offset a portion of the Management Fee paid by the Fund. *See* “Fees and Compensation.”

From time to time, an Adviser and/or its affiliates may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in the Private Investment Fund. Any fees and expenses payable to any such placement agents generally will be borne by the Advisers directly or indirectly through an offset against the Management Fee or otherwise. The Advisers have retained UBS Securities LLC and UBS Limited (collectively, “**UBS**”) to solicit investors for the Fund and have agreed to pay UBS a retainer and a fee based on a percentage of the commitments to the Fund attributable to UBS’ solicitation efforts. UBS also has certain limited rights to additional compensation if investors it successfully solicits to invest in the Fund invest in a subsequent fund managed by the Advisers.

CUSTODY

The Advisers maintain custody of each Fund’s assets held in such Fund’s name with Bank of America, 5500 Preston Road, Suite B, Dallas, Texas 75205, and Merrill Lynch & Co., 300 Crescent Court, Suite 1300, Dallas, Texas 75201, each a qualified custodian.

INVESTMENT DISCRETION

The Advisers have discretionary authority to manage investments on behalf of the Fund. As a general policy, the Advisers do not allow clients, including investors in the Fund, to place limitations on this authority. The Advisers assume this discretionary authority pursuant to the terms of the Partnership Agreement, Management Agreement and powers of attorney executed by the limited partners of the Fund. Pursuant to the terms of the Partnership Agreement, however, the Fund or the Advisers may enter into “side letter” arrangements with certain limited partners whereby the terms applicable to such limited partner’s investment in the Fund 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

VOTING CLIENT SECURITIES

The Advisers have adopted Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for the 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 Fund, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Fund’s investors through the Principals’ beneficial ownership interests in the Fund 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 set forth in the Proxy Policy. Additionally, the Fund’s advisory board may be authorized to approve the Advisers’ vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by the Advisers’ 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 Fund. Investors or prospective investors that would like a copy of the Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies should contact the Firm’s Chief Compliance Officer, at (214) 871-5151, and such information will be provided free of charge.

FINANCIAL INFORMATION

None of the Advisers requires prepayment of Management Fees more than six months in advance or has any other events requiring disclosure under this item of the Brochure.

SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF THE ADVISERS

Gerald J. Ford

Educational Background and Business Experience

Gerald J. Ford, 68, has bought, sold and run banking businesses and other financial services companies for over 35 years. In 1975, Mr. Ford purchased a controlling interest in his first bank, First National Bank of Post, Texas with \$25 million in total assets. Subsequent to this investment, Mr. Ford formed First United Bank Group and, over the next 18 years, acquired more than 30 commercial banks throughout New Mexico and western Texas. Mr. Ford built First United Bank Group into a public multi-bank holding company with approximately \$4.0 billion in total assets. In 1994, Norwest Corporation (now Wells Fargo & Co.) acquired First United Bank Group.

In 1988, Mr. Ford partnered with MacAndrews & Forbes Holdings, Inc. to form First Gibraltar Bank, FSB. First Gibraltar Bank acquired all of the assets and liabilities of five insolvent Texas thrifts from the Federal Savings and Loan Insurance Corporation. During the early 1990s, First Gibraltar Bank acquired three additional thrifts and a mortgage banking operation from the Resolution Trust Corporation, creating the largest thrift and fourth largest financial institution in Texas and Oklahoma. During 1992 and 1993, First Gibraltar Bank performed an orderly sale of assets, deposits, branches and the mortgage company to various acquirers, including Bank of America and Chase Manhattan Bank. Following the sale of these assets, First Gibraltar Bank retained approximately \$1 billion in assets and subsequently acquired First Nationwide Bank.

The resulting First Nationwide Bank platform began a series of financial services acquisitions with the strategic objective of building a leading regional banking presence in California. During the period from 1994 to 1998, Mr. Ford led the expansion of that platform by acquiring various federal savings banks in California, as well as additional branches, mortgage servicing, portfolios and auto finance companies. In 1998, Golden State Bancorp, Inc. was created in connection with the Glendale Federal Bank acquisition. Mr. Ford was Chairman of the Board and Chief Executive Officer of Golden State Bancorp from September 1998 until it was sold to Citigroup in November 2002 for approximately \$5.8 billion. At the time of the Citigroup transaction, Golden State Bancorp was the third largest thrift in the United States with over 350 branches in California and Nevada.

Until the sale of Pacific Capital Bancorp in December 2012, Mr. Ford served as the Managing Partner of Ford Financial Fund and the Chairman of the Board of Pacific Capital Bancorp. He currently serves as Chairman of the Board of Hilltop Holdings Inc. Mr. Ford also is a director of Freeport McMoRan Copper & Gold, Inc., McMoRan Exploration Co., Scientific Games Corporation and SWS Group, Inc. He currently serves as a trustee on the Board of Trustees of Southern Methodist University (“S.M.U.”). As well, he is on the Executive Board of S.M.U. School of Law, is a trustee of Southwestern Medical Foundation and Children’s Medical Foundation, and is a member of the Board of Overseers of Weill Medical College and Graduate

School of Medical Sciences of Cornell University.. Mr. Ford holds B.A. and J.D. degrees from S.M.U.

Disciplinary History

There are no legal or disciplinary events required to be disclosed with respect to Mr. Ford.

Other Business Activities

Mr. Ford serves in investment-related roles with the Management Company and its affiliated investment advisers. Mr. Ford also operates and manages certain family investment entities. Outside of these roles, Mr. Ford is not engaged in any investment-related business, and none of these entities or businesses has a business relationship with the Management Company, except as described herein.

Additional Compensation

Mr. Ford receives management and performance-based fees in connection with his operation and management of certain family investment entities.

Supervision

As a Senior Principal of the Management Company, Mr. Ford is part of a team that is responsible for implementing and overseeing the investment strategy of the Management Company, but is not subject to the direct supervision of any other individual. The Chief Compliance Officer of the Management Company supervises the actions of Mr. Ford with respect to the Management Company's Compliance Program, which includes policies governing giving advice to clients.

Carl B. Webb

Educational Background and Business Experience

Carl B. Webb, 63, has more than 35 years of experience in the banking industry, including working with Mr. Ford since 1983. From 1994 to 2002, Mr. Webb was President, Chief Operating Officer and a director of Golden State Bancorp and California Federal Bank, FSB. As well, he served as a director of First Nationwide Mortgage Corporation and Auto One Acceptance Corporation, each wholly owned subsidiaries of California Federal Bank. Prior to Golden State Bancorp, Mr. Webb served as President and Chief Operating Officer of First Gibraltar Bank, FSB from its formation in 1988 until its sale to Bank of America in 1993. He initially joined First United Bank Group, Inc. as President of First National Bank Lubbock in 1983. Mr. Webb currently serves as a director at Hilltop Holdings Inc. and Prologis, Inc. Until the sale of Pacific Capital Bancorp in December 2012, Mr. Webb served as a Principal of Ford Financial Fund and the Chief Executive Officer of Pacific Capital Bancorp and its wholly-owned subsidiary, Santa Barbara Bank & Trust, N.A.

Mr. Webb holds a B.B.A. degree from West Texas A&M University and a Graduate Banking Degree from Southwestern Graduate School of Banking at Southern Methodist University.

Disciplinary History

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

Other Business Activities

Mr. Webb serves in investment-related roles with the Management Company and its affiliated investment advisers. Mr. Webb also serves as the trustee of certain family trusts. Outside of these roles, Mr. Webb is not engaged in any investment-related business, and none of these entities or businesses have a business relationship with the Management Company, except as described herein.

Additional Compensation

Mr. Webb receives a salary in connection with serving as the trustee of certain family trusts.

Supervision

As a Senior Principal of the Management Company, Mr. Webb is part of a team that is responsible for implementing and overseeing the investment strategy of the Management Company, but is not subject to the direct supervision of any other individual. The Chief Compliance Officer of the Management Company supervises the actions of Mr. Webb with respect to the Management Company's Compliance Program, which includes policies governing giving advice to clients.