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This brochure provides information about the qualifications and business practices of LLR Management, L.P. If you have any questions about the contents of this brochure, please contact Michelle Vaughn at (215) 609-3365 or mvaughn@llrpartners.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about LLR Management, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

LLR Management, L.P. is registered as an investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

Item 2. Material Changes

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization, which are included herein.

The following is a discussion of only material changes since our brochure filing dated March 26, 2013:

- Update Item 3 – General Information about LLR Management, L.P. - updated the adviser’s regulatory assets under management to reflect the new numbers as of December 31, 2013; and
- Updated Item 10 - Other Financial Industry Activities and Affiliations section to reflect the roles and responsibilities of Independence Capital Partners, LLC and Operating Partners.

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Item 3. General Information about LLR Management, L.P.

LLR Management, L.P. is a private equity investment firm formed in the state of Delaware and co-founded in 1999 by Partners Ira. M. Lubert, Howard Ross and Seth Lehr (the “Co-Founders”). The Co-Founders collectively have over 50 years of private equity and middle-market growth company experience. The Co-Founders are currently supported by six Managing Partners (“Managing Partners”) and over 20 investment professionals with broad financial experience.

LLR and its affiliated relying advisers (“LLR” or “Adviser”) provide investment management to pooled investment vehicles, typically limited partnerships (referred throughout as the “LLR Funds” or the “Funds”), that invest primarily in lower middle-market businesses (“portfolio companies”) operating in industries with solid fundamentals and long-term growth potential: Business Services, Consumer and Education Services, Financial Services, Healthcare Services and Software/ IT Services. These investments employ a variety of structures, including minority or majority positions, and transaction types, including growth capital, buyouts, recapitalizations or some combination thereof. References herein to LLR may include, as the context requires, various entities controlled by LLR and through which LLR provides investment management services, such as entities that serve as general partners to its Funds.

LLR’s only clients are the LLR Funds, each of which is not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and whose securities are exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). No Funds’ shares are offered hereby and each Fund is open for investment through a “private placement” offering. The Funds are intended for only accredited investors, qualified clients and qualified purchasers as defined under the Federal securities laws.

LLR provides investment advisory services to each Fund in accordance with the Fund’s limited partnership agreement (or analogous organizational document), applicable advisory agreement and private placement memoranda. Investment advice is provided directly to each Fund, subject to the discretion and control of the Fund’s general partner, and not individually to any investor in the Funds. Investment guidelines and restrictions for each LLR Fund will be established in the organizational and offering documents of the applicable Fund.

LLR has discretionary authority with respect to investment decisions for the LLR Funds and has \$2,185,996,266 in regulatory assets under management as of December 31, 2013.

Item 4. Fees and Compensation

LLR does not have a standard fee schedule for its advisory services. The specific terms for the compensation of LLR by each Fund are dictated by the fund’s organizational documents, private placement memoranda and any other applicable agreements (such as side letters or waivers). LLR’s fees and compensation is deducted from the assets or distributions of the Fund and investors are not separately billed for services.

Management Fee - Each LLR Fund pays an annual management fee (the “Management Fee”). A Fund’s Management Fee generally will represent a percentage (up to 2%) of total capital commitments during a

Fund's investment period and will be paid quarterly in advance as described in each Fund's organizational and offering documents. Thereafter, the Management Fee will be reduced to a percentage (1.75%) of the aggregate invested capital for the remainder of the term of a Fund, less dispositions and permanent write-downs, where applicable. Management Fees may be negotiated to be lower for certain investors in a Fund based on the size of the investor's investment in such Fund.

In the event that a Fund's investment advisory agreement with LLR is terminated during a period where the Management Fees have been paid in advance, LLR would pro rate the Management Fee and reimburse the portion of such Management Fees covering the remainder of the period.

Carried Interest - The LLR Funds will also allocate a portion of their investment profits (up to 20%) to their respective Fund general partners, which are related persons with respect to LLR, as set forth in each of the Fund's organizational and offering documents (such profit allocation is commonly referred to as "Carried Interest"). Performance-based Carried Interest is generally subject to the achievement of an 8% annual rate of return on the amount of the unreturned capital contributions of investors, as of the date of determination. Carried Interest, when applicable, is paid upon the distribution of proceeds generated by the dispositions of each Fund's portfolio investments and pursuant to a priority distribution waterfall after the return of invested capital and a preferred return. LLR Funds' Carried Interest is charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act")

Other Fees Received - On occasion, LLR may receive acquisition fees, supervisory fees, advisory fees, director's fees, transaction fees, break-up fees, or other fees in direct connection with partnership activities ("Special Income"). If received, Special Income may be used to offset the Management Fee or otherwise be credited to, or shared with, the investors in a manner more fully described in the Fund's organizational and offering documents where applicable.

Certain investors in the Funds, who are Co-Founders, Managing Partners, employees including affiliated persons and others, may not be subject to the Management Fee and/or the Carried Interest in connection with their investment in the Funds.

Other Types of Fees or Expenses - The Funds are responsible for all expenses related to its activities, including legal, auditing and accounting expenses, costs related to the purchase or sale (whether or not consummated) and holding of investments, travel, research costs, interest on borrowed funds, taxes, commissions and brokerage fees, the cost of directors' and officers' liability insurance and indemnification expenses, extraordinary expenses such as litigation and "broken deal" expenses and expenses associated with annual meetings of the Funds and the Funds' various committees. Additionally, the Funds will be responsible for all offering and organizational expenses incurred in the formation of the Funds, subject to limitation, by Fund. The Funds have not paid any finders' fees or brokers' fees in connection with the offering and placement of Fund interests to investors. Any expenses common to the Funds managed by LLR or its affiliates generally will be allocated among such entities on a basis reasonably believed by LLR and the managers of the other funds (as applicable) to be equitable based on the relevant facts, such as the relative sizes of the participating funds and the particular circumstances that caused the expense to be incurred with respect to each participating fund.

The above description of fees and expenses is not intended to be exhaustive; existing and prospective investors in the Funds are advised to review the Fund's organizational and offering documents for a more extensive description of the fees and expenses before investing.

Item 5. Performance-Based Fees and Side-By-Side Management

As described above, LLR may be paid a Carried Interest. Certain LLR employees and affiliated persons receive Carried Interest, which is tied explicitly to the performance of the particular Fund, and such compensation will continue to be earned based upon the performance of a Fund's portfolio as a whole, rather than that of individual transactions. The existence of the Carried Interest may create an incentive for LLR to cause a Fund to make riskier or more speculative investments than would be the case in the absence of the Carried Interest.

Each of the LLR Funds will generally have a similar compensation structure which will include a Management Fee and Carried Interest, as described above. Additionally, the Funds' organizational and offering documents typically limit LLR's ability to launch additional new Funds until existing Funds have invested or legally committed a minimum portion of their capital commitments to investments, or until expiration of the Fund's specific investment period.

As a fiduciary to its Funds, LLR's compliance policies and procedures and its code of ethics policy (collectively, the "Compliance Program") prohibit the favoring of one Fund over another or considering LLR's financial interest when providing investment advice to the Funds. In addition, any LLR employee whose compensation includes Carried Interest is paid based on the Fund's overall performance, not the outcome of any single transaction or investment.

Item 6. Types of Clients.

LLR provides discretionary investment advisory services to the LLR Funds where each investor (generally a limited partner) is required to meet certain suitability qualifications, such as being an accredited investor, qualified client and qualified purchaser as defined in the meaning set forth under the Federal securities laws. Investors in the Funds may include, but are not limited to, governmental pension plans, corporate and business entities, endowments and foundations, trusts, and high net worth individuals. Minimum capital commitments from investors are specified in each Fund's offering documents. Each Fund's general partner has the discretion to waive or reduce the minimum capital commitment and has done so for certain investors. Any disclosed general partner commitments by LLR may be funded by contributions from the Co-Founders, Managing Partners, employees, affiliated persons and others.

Item 7. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies - LLR's investment objective is to provide Fund investors with superior, risk-adjusted returns through a diversified portfolio of investments in lower middle-market growth companies. LLR's core investment strategy is to make private equity investments in portfolio companies in order to generate capital appreciation. LLR pursues companies with attractive risk/return profiles and uses both quantitative and qualitative screens to evaluate each investment opportunity, seeking companies that possess a combination of one or more of the following attributes,

among others: a proven and scalable business model, strong growth potential, a defensible market position and a core team of talented and committed managers. Each Fund's organizational and offering documents will more fully describe the Fund's specific investment objective and the risks associated with them. Prospective investors are advised to carefully read these documents before investing as there can be no assurance that each Fund's objective and strategy will achieve any particular returns or avoid a loss. A Fund's ability to achieve returns will depend on a variety of factors, many of which are beyond its or LLR's control.

Material Risks - Investment in private equity funds involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments and Fund investors must be prepared to bear the risk of a complete loss of their investments.

Material investment risks include but are not limited to the following, each of which are described in more detail in the applicable Fund's organizational and offering documents:

- *Nature of Investment* - An investment in the LLR Funds requires a long-term commitment with no certainty of return. There likely will be little or no near-term cash flow available to the investors. Most of the Funds' investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize returns on such investments in a timely manner. Dispositions of such investments may require a lengthy time period or may result in distributions in kind to the partners. Generally, the Funds will not be able to sell these securities publicly without the expense and time of registering them under the Securities Act or will be able to sell the securities only under Rule 144 or other rules under the Securities Act that permit only limited sales under specified conditions. Since the Funds may only make a limited number of investments and since the Funds' investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the limited partners.
- *Difficulty of Locating Suitable Investments* - The Funds may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. An investor in the Funds must rely on the ability of the general partner to identify, structure and implement investments consistent with the Funds' objectives and policies. Investors in the Funds will not have the opportunity to evaluate business, financial and other information that will be used by the general partner in its analysis, selection and monitoring of portfolio company investments for the Funds.
- *Illiquidity of Portfolio Investments* - Investments in most of the portfolio companies will be highly illiquid until such time as the investment is sold or a public market is created. There can be no assurance that the Funds will successfully liquidate their investments in portfolio companies upon a sale, a public offering or otherwise.
- *Unspecified Investments* - An investment in the Funds represents an investment in the ability of LLR to select appropriate investments on behalf of the Funds rather than an investment in a specific portfolio of assets. Investors will not have the opportunity to personally evaluate the relevant economic, financial and other information that will be utilized by the general partner, the

management company or any general partner of a subsidiary in their selection and evaluation of additional investments. It is possible that the Funds will not fully invest their capital if sufficiently attractive investments are not identified or, if identified, are not consummated. There can be no assurance that the Funds will be able to identify and complete investments or that the Funds' investments will be successful.

- *Risk of Certain Investments* - In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the investors to the extent of their commitment.

The Funds may invest in companies that are financially leveraged or troubled or potentially troubled and may be or have recently been involved in restructurings, bankruptcy, reorganization or liquidation. Securities of such companies are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. As a result, the Funds may lose all or substantially all of its investment in any particular instance. In addition, there is no minimum credit standard that is a prerequisite to the Funds' investments in any security. Securities in which the Funds may invest may rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of whose debt securities may be secured by substantially all of the issuer's assets. Moreover, the Funds may invest in securities that are not protected by financial covenants or limitations on additional indebtedness.

- *Investments in Privately Held Companies Present Challenges* - The Funds will invest in privately-held companies. Generally, very little public information exists about these companies, and the Funds will be required to rely on the ability of the general partner to obtain adequate information to evaluate the potential returns from investing in these companies and to effectively structure transactions to protect the Funds' interests. Moreover, these companies typically depend upon the management talents and efforts of a small group of individuals, and the loss of one or more of these individuals could have a significant impact on the investment returns from a particular portfolio company. Also, these companies frequently have less diverse product lines and a smaller market presence than larger competitors. They are generally more vulnerable to economic downturns and may experience substantial variations in operating results that may not impact other companies in the same industry.
- *Control Position* - The Funds may obtain a controlling or other substantial position in a portfolio company. If such a position is taken, the Funds may be required to make filings concerning its holdings, and it may become subject to regulatory restrictions that could limit the ability of the Funds to dispose of its holdings at the times and in the manner the Funds would prefer. Violations of any such regulatory requirements could subject the Funds to significant liabilities. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. In addition, the

Funds may incur large expenses when taking control positions in distressed securities and due to the uncertainty of such investments, there is no guaranty that such expenses can be recouped. Also, there is no guaranty that the Funds will succeed in obtaining control positions. This could result in the investments being frozen in minority positions that incur substantial losses.

- *Minority Ownership Positions* - The Funds also may invest in minority positions of portfolio companies. In such cases, the Funds may not be able to exert the same influence or control over the management of the portfolio companies as would be the case if the Funds maintained a controlling interest in such portfolio companies. In these cases, while the Funds may not acquire a controlling position in the business, LLR typically pursues investment structures that include, but are not limited to, preferred securities with a mandatory redemption right exercisable after a certain number of years, board representation and other protective provisions requiring the consent of LLR for certain corporate matters. Even with such structuring in place, the Funds' investment will be reliant on the portfolio company's management and board, which may include parties whose interests may conflict with the interests of the Funds. In cases in which the Funds do not maintain a controlling interest, the Funds may be subject to the discretion of others as to the management of such portfolio companies. These parties may execute a management plan or make strategic judgments that differ from that of the Funds, in which case, the performance of the Funds' investments in such companies may be subject to the decisions of such parties. There can be no assurance that the existing management team of a portfolio company will operate the portfolio company in accordance with the Funds' plan or in a manner in which the Funds would manage such investment if they maintained greater control.
- *Investments Outside the U.S. and Canada* - The Funds may invest, to a limited extent, in portfolio companies whose principal places of business are located outside the U.S. or Canada, and overseas investments may entail risks not present in U.S. markets. These risks include the possibilities that foreign markets may not be as developed or efficient as those in the United States, that securities of some foreign issuers may be less liquid than those of comparable U.S. issuers, that volume and liquidity in most foreign markets are less than in the United States, and that at times volatility of price can be greater than in the United States. In addition, applicable regulations may be less stringent or different than in the U.S., less information may be publicly available, and non-U.S. issuers may not be subject to accounting and financial reporting standards, practices and requirements comparable to those applicable to U.S. issuers. Many of the potential risks that exist in overseas markets may also exist in Canada. Moreover, because evidences of ownership of such instruments may be held outside the United States, the Funds may be subject to additional risks, including possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions, which might adversely affect payments on foreign instruments or might restrict payments to foreign investors.
- *Concentration* - Because the LLR Funds have the ability to concentrate their investments by investing a certain amount of their commitments in a single portfolio company and an unlimited amount of their assets in a single industry, the overall adverse impact on the Funds of adverse

movements in the value of the securities of a single issuer or industry will be considerably greater than if the Funds were not permitted to concentrate its investment to such an extent.

- *Leverage* - The Funds may also invest in portfolio companies, which may borrow without limitation, and may utilize various lines of credit and other forms of leverage. While leverage presents opportunities for increasing a portfolio company's total return, it has the effect of potentially increasing losses as well. The use of leverage results in increased interest expense and other costs to the company that may not be covered by revenues during economic downturns. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of the portfolio company's net assets will decrease. Accordingly, any event that adversely affects the value of an investment by a portfolio company would be magnified to the extent a portfolio company is leveraged.

Leverage also may impose 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. Leveraged borrowers will expose the Funds' 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 Funds' investments in leveraged entities in a down market. In the event any borrower cannot generate adequate cash flow to meet debt servicing, the Funds may suffer a decrease in income or loss of principal, which could adversely affect the returns of the Funds.

- *Competition for Investments* - The Funds will be subject to intense competition for investment opportunities with many sources of capital, including other private equity funds, financial buyers, strategic buyers and other financing sources. The population of financial buyers has increased in the past several years, and the aggregate capital available to such buyers is significant and at a historic high. Strategic buyers have been very active and often will pay more for an investment given the perceived synergies with their existing businesses. Some of these competitors may have more relevant experience, greater financial resources and more personnel than the general partner. Additionally, such competitors may also be able to accept (or be willing to take on) more risk than the Funds deem prudent. Increased competition would make it more difficult for the Funds to originate, negotiate and close investments at attractive prices. In addition, the Funds may make investments in foreign markets, which will add a new level of competition. As a result of this competition, sometimes the Funds may be precluded from making otherwise attractive investments or may be required to compete with other market participants for investment opportunities. There can be no assurance that the Funds will be able to invest its capital on terms favorable to the Funds or in comparison to its competitors.
- *Reliance on Management* - Decisions with respect to the management of the Funds will be made by LLR. The success of the Funds will depend on the ability of each Fund's general partner to identify and consummate suitable investments, improve the operating performance of portfolio companies and dispose of the investments at a profit. The loss of the services of one or more of key personnel could have an adverse impact on the Funds' ability to realize its investment objectives. In addition, Mr. Lubert is a principal of several investment funds, has several

investments in operating businesses and may become involved as a principal in future investment funds. Thus, he will have demands made on his time from his other activities that will limit his available time commitment to the Funds.

- *Investment Guarantees and Indemnities* - While historically the prior Funds have not been required to enter into guarantees of investment-level obligations or indemnities related to the investment with third parties, newer Funds may be required to do so in the future. These guarantees and indemnities may provide for joint and several liabilities between a main Fund and a parallel fund. If they do, it is possible that either the main Fund or a parallel Fund would be required to pay amounts under these agreements that exceed their respective pro rata share (based on relative amounts invested) of the obligation or even the full amount of the obligation. To address this possibility, if they enter into joint and several guarantees or indemnities, a main Fund and a parallel Fund will enter into a cross-indemnity between themselves pursuant to which each will indemnify the other to the extent one of them pays more than its pro rata share of any such obligations. However, there still would be a risk that either the main Fund or a parallel Fund may be ultimately responsible for more than its pro rata share of any obligation.
- *Need for Follow-On Investments in Portfolio Companies* - Certain investments that the Funds will make may need additional capital. The inability to obtain such follow-on capital may have an adverse effect upon the Funds' investments.
- *No Assurance of Investment Return* - LLR cannot provide assurance that it will be able to choose, make and realize gains on investments in any particular portfolio company. There is no assurance that the Funds will be able to generate returns for the investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. Even if one or more of the portfolio companies is successful, there can be no assurance that the investors will receive distributions from the Funds in an amount equal to their investment in the Funds. An investment in the Funds should only be considered by persons who can reasonably afford a loss of their entire investment. There can be no assurance that projected or targeted returns will be achieved or that any distribution will be made to the investors. Investors may lose their entire investment.
- *Market Volatility* - Volatile market conditions at various times have had a dramatic effect on private equity investing. In addition, terrorist attacks and other acts of violence or war may affect the operations and profitability of the Funds' portfolio companies. Such events could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy. They also could result in a continuation of the current economic uncertainty in the U.S. or abroad. Any of these occurrences could have a significant impact on the operating results and revenues of the Funds' portfolio companies and, in turn, on the return of the Funds' investments.
- *Absence of Prior Operating History* - There can be no assurance that LLR will be able to effectively implement the Funds' acquisition, operating or growth strategies. The success of the Funds will depend on the general partners' ability to execute the business plan of each Fund. The

inability of the Funds to successfully acquire investments would have a material adverse effect on the Funds' financial condition and results of operations. Past performance of any of the Funds, the general partner or the leadership team or any success they may have had in any similar venture is no assurance of future success, and investment results cannot be guaranteed.

- *The Funds May Hold Investments at the Date of the Termination of Each Fund* - The Funds may make investments with maturity dates later than the date on which each Fund will be dissolved, either by expiration of each Fund's term or otherwise. Although LLR expects that investments will be disposed of prior to dissolution, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. LLR may also be required to distribute such investments to the investors if it cannot liquidate them in a manner that it believes to be in the best interests of the Funds, which may result in investors holding securities which maintain substantial limitations on the ability of investors to transfer them.
- *Limitation to Participation in Management; Potential Concentration of Voting Power* - Fund investors have no right to participate in the management of the Funds or to otherwise participate in making decisions that may materially affect the value of their investment. Investors will be able to vote on matters concerning the Funds only in a very limited set of circumstances, such as removing the general partner or terminating the investment period in certain circumstances. LLR will control most decisions, including decisions relating to the day-to-day operations of the Funds. Even in situations in which the investors vote on Fund matters, a small group of investors with relatively large commitments could have the requisite percentage of votes to determine the outcome of such decisions (although the concentration of voting power for each Fund which had not yet had a closing will not be known for each Fund until it conducts a closing). Such a concentration of voting power, if it occurs, could have the effect of limiting the ability of investors with relatively smaller commitments to have a meaningful vote on matters requiring a vote.
- *Limited Recourse against the Fund's General Partner* - The partnership agreements limit the circumstances under which LLR or their affiliates will be held liable to the Funds. As a result, investors may have a more limited right of action in certain cases than they would have in the absence of such limitations. In addition, the partnership agreements provide that the Funds will indemnify LLR, their affiliates, partners and employees for certain claims, losses, damages and expenses arising out of their activities on behalf of the Funds. Such indemnification obligations could materially adversely affect the returns to investors.
- *Duties of Members of Valuation Committee* - Neither the members of the Fund's valuation committee (i.e., third party investor committee) nor investors whom they represent will owe any duties (fiduciary or otherwise) to the Funds, any other investor or any other person or entity with respect to their activities on the valuation committee other than their obligation to act in good faith. The members of the valuation committee are permitted to consider only the respective interests of the investors whom they represent when making any decisions as members of the valuation committee.

- *Consequences of Default* - If investors fail to fund their commitment obligations or to make required capital contributions when due, the Funds' ability to complete their investment program or otherwise continue operations may be substantially impaired. An investor's failure to fund such amounts when due is an event of default. A default by a substantial number of investors may severely limit opportunities for investment diversification and would likely reduce returns to the Funds. A default by any single investor could result in substantial costs to the Funds if such default causes the Funds to fail to meet its contractual obligations or if LLR must pursue remedial action against such investor. A default will have significant adverse consequence to the investors.
- *Indemnification* - The Funds will be required to indemnify the LLR and its affiliates, partners and employees for certain claims, losses, damages, and expenses arising out of their activities on behalf of the Funds. Such liabilities may be material and have an adverse effect on the returns to the investors. An indemnification obligation of the Funds would be payable from the assets of the Funds, including unpaid commitments of the investors. If the assets of the Funds are insufficient, LLR may recall capital previously returned to the Investors.
- *Side Letters* - LLR and/or the Funds may from time to time enter into other written agreements ("Side Letters") with one or more investor whereby, in consideration for agreeing to invest certain amounts in the Funds and other consideration deemed material to the Funds, such investors may be granted rights not otherwise afforded to other investors. These Side Letters may entitle an investor to make an investment in the Funds on terms other than those described in each Fund's offering documents. Any such terms, including with respect to (i) reporting obligations of the Funds; (ii) transfer rights to affiliates; (iii) withdrawal rights due to adverse tax or regulatory events; (iv) consent rights to certain partnership agreement amendments; or (v) any other matters described herein or in the partnership agreement, may be more favorable than those offered to any other investor. Such agreements will have the effect of establishing rights under, or altering or supplementing the terms of, the limited partnership agreement with respect to such investors.
- *Limited Transferability and Illiquidity of Interests* - Purchase of the interests should be considered a long-term investment. Fund investors may not withdraw capital from the Funds. Transfer of the interests is subject to significant restrictions. Interests are not transferable except with the consent of the Fund's general partner. There will be no public market for the interests. Each investor will be required to represent that it is acquiring its interest for investment purposes and not with a view to resale or distribution. Each investor must be prepared to bear the economic risk of an investment for an indefinite period.

The interests will not be registered under the Securities Act by reason of specific exemptions under the provisions of the Securities Act, which exemptions depend, in part, upon the agreement of the purchasers not to transfer their interests absent registration thereof or reliance upon an applicable exemption from such registration requirements. Sales or other transfers of the interests may be made only in compliance with the Securities Act, applicable state securities laws and certain limitations set forth in the partnership agreement, such as prohibitions on transfers if each Fund would be required to register as an "investment company" under the Investment Company

Act. Each Fund is not obligated to, nor does it intend to, register the Interests in order to permit the resale thereof by investors.

Because of these restrictions and the absence of a public market for the interests, an investor may be unable to liquidate its investment even though its personal financial circumstances would make liquidation advisable or desirable. The interests will not be readily acceptable as collateral for loans. Moreover, even if an investor were able to dispose of its Interests, adverse tax consequences could result.

- *Conflicts of Interest* - Conflicts may arise in instances where the interests of LLR and its affiliates may conflict with the interests of the Funds and the investors. Fund investments are also subject to various conflicts of interest, including those between co-investors in specific projects, between various investors in a Fund, and between LLR and a Fund. Prospective investors are advised to review the applicable Fund offering documents that discuss the conflicts of interests when investing in a Fund. Additional conflicts of interest information is described below in Item 9.

Item 8. Disciplinary Information

Neither LLR nor any of its employees have been involved in the past ten years in any legal or disciplinary event that LLR believes is material to an investor or prospective investor in their evaluation of LLR's advisory business or management.

Item 9. Other Financial Industry Activities and Affiliations

LLR has relationships and arrangements that are material to LLR's advisory business with the following entities:

LLR has a full-time Chief Financial Officer ("CFO") who is responsible for managing the firm's accounting and administrative matters. LLR also utilizes Independence Capital Partners, LLC ("ICP"), an affiliated entity, to provide certain non-investment services such as compliance, tax support, information technology and insurance. ICP provides similar services to its other affiliated investment advisory firms which include: Lubert-Adler Management Company, L.P.; Patriot Financial Manager, L.P.; Quaker Partners Management, L.P.(an exempt filer); LBC Credit Management, L.P.; and LEM Capital, L.P. (collectively, the "ICP Affiliate Firms"). Each ICP Affiliate Firm is separately managed by its partners and investment professionals and offers advisory services to various private investment funds. The Co-Founders of LLR and Mitchell Hollin, a Managing Director, have equity ownership interests in Patriot Financial Manager, L.P, Quaker Partners Management, L.P. and LBC Credit Management, L.P. In addition, Mr. Lubert has ownership in and partnership responsibilities in ICP, all of the ICP Affiliate Firms and other private investment funds and operating businesses. The ICP Affiliate firms engage in and will continue to engage in private equity, debt, and real estate investment activities for their funds.

LLR may hire third party consultants throughout its Funds' investment processes, including Operating Partners, who are former senior executives with operating experience and industry-specific knowledge. Operating Partners assist LLR with a variety of activities including market research, new investment identification, pre-investment business diligence and post-investment value creation. As background, Operating Partners are individuals who have experienced success in their careers, typically as a CEO or senior executive, who no longer seek to work full-time but still want to be actively engaged in a senior advisory role to businesses. LLR's Operating Partners are not employees of LLR but consultants who will work exclusively with the firm on lower middle market companies in their sectors.

Operating Partners are typically paid a retainer by LLR and are not compensated directly by the Fund. Retainer rates may vary depending upon a number of variables including expertise and time commitment to LLR. These individuals are also able to co-invest in transactions in which they are involved under the same terms and conditions as the Fund. Operating Partners often take a board seat and can also provide additional services directly to the Fund's portfolio companies. In either case, they may receive direct compensation from the portfolio company under terms agreed to by the portfolio company and the Operating Partner.

Conflicts of Interest - Conflicts of interest may arise as a result of the above noted activities, particularly investments in companies that are in the same industry sectors as those targeted by the LLR Funds, as discussed below:

Co-investment Opportunities between LLR Funds - Investment opportunities may arise that are appropriate for co-investment between LLR Funds. Under the organizational documents and as fully described in the Funds' offering documents, investment opportunities are to be presented in a specific manner. For example, without Valuation Committee approval, LLR Funds may co-invest with each other on a *pari passu* basis (that is, in the same security and in the same financing round) and if the investment is the last investment of the current Fund and the first investment of a successor Fund. The amount of co-investment by each Fund will be determined by LLR in view of the relative availability of capital, investment objectives, financing capacity and diversification limits of each fund (among other things).

Co-investment Opportunities between the Funds and ICP Affiliate Firms Funds - Certain potential investment opportunities that may be appropriate for the LLR Funds may also be appropriate for another ICP Affiliate Firms' fund. Although LLR does not believe that there will be significant overlap of investment opportunities between the Funds and other ICP Affiliate Firms funds, in situations in which overlap opportunities do exist, as a result of ownership interests in both the Funds and the other ICP Affiliate Firms, potential conflicts exist as to the allocation of such investment opportunities between, or the terms and conditions of, or any co-investment by, the entities. In these situations, the investment team which first sourced or originated the opportunity may invest in the opportunity without offering it to other ICP Affiliate Firms funds. If LLR does not invest in an opportunity it sources or originates, the other ICP Affiliate Firms may be offered the opportunity to make the investment. If Mr. Lubert were to source an investment opportunity suitable for an LLR Fund, in addition, to sharing such opportunity with LLR, he may have an obligation to share that opportunity with other ICP Affiliate Firms.

If LLR determines in its reasonable discretion that it would be advantageous to co-invest in an opportunity with one or more other ICP Affiliate Firms funds, then the LLR Fund may co-invest with the other ICP Affiliate Firms funds in such an investment on a *pari passu* basis. These co-investment opportunities may be subject to the approval of the co-investing ICP Affiliate Firms' valuation committees or advisory or executive boards in accordance with their respective fund organizational documents. LLR expects that the relative amounts co-invested by the ICP Affiliate Firms will be determined in the reasonable discretion by LLR and the investment teams of the other applicable ICP Affiliate Firms funds in view of the amount made available by the investment team who first sourced or originated the deal and the relative available capital, investment objectives, financing capacity and diversification limits of each fund participating in the co-investment (among other factors).

If a co-investment is not made on a *pari passu* basis, the investment opportunity may need to be cleared by a conflict resolution procedure before such investment can be made by a Fund. As a result of this conflict resolution process, the amount a Fund invests in a particular investment opportunity may be less than it otherwise would be willing and able to invest and, in certain cases, a Fund may be required to forego certain investment opportunities that otherwise would be appropriate. In addition, co-investment by other ICP Affiliate Firms funds may curtail the co-investment opportunities available to investors.

In addition, unrelated third parties may co-invest alongside the Funds, for example in the case of an investment being too large for the Funds to complete on their own. LLR may also, from time to time, enter into relationships with other unrelated sponsors and syndicators of pooled investment vehicles. In all such situations, LLR seeks to act in the best financial interest of the Funds.

Cross Trades, Principal Trades and Personal Transactions - An LLR Fund may not acquire any portfolio investment from or sell any portfolio investment to any of its affiliates, the affiliates of LLR, or any key persons as defined in the Fund's organizational documents or an employee, director or officer of LLR, other than the parallel funds(s), without the approval of the applicable Fund's valuation committee. Furthermore, as expressly set forth in each of the Fund's organizational documents, LLR may not cause a Fund to enter into any contract or transaction with any affiliate of LLR or key person (excluding portfolio companies) or any partner of the general partner, unless (i) such contract or transaction is consistent with the other provisions of a Fund's organizational documents; (ii) the terms of any such contract or transaction are no less favorable to the Fund than could be obtained in arm's-length negotiations with unrelated third parties, and (iii) such contract or transaction has been approved by each Fund's respective valuation committee. No Co-Founder, Managing Partner or employee may invest directly in a privately-held company in which an LLR Fund can invest without seeking pre-clearance, as required by LLR's code of ethics, and offering that investment opportunity to an LLR Fund or obtaining approval from the Fund's valuation committee. Additionally, no employee may acquire portfolio securities issued by a public company without preapproval, as required by LLR's code of ethics. LLR Co-Founders, Managing Partners and employees may hold investments in portfolio company securities that they made prior to being employed by LLR or before a portfolio security was being actively considered as an investment for a Fund.

Side Letters - LLR and/or the Funds may from time to time enter into other written agreements or side letters, with one or more investors whereby, in consideration for agreeing to invest certain amounts in a Fund and other consideration deemed material to a Fund, such investors may be granted rights not otherwise afforded to other investors who have invested lesser amounts. These side letters may entitle an investor to make an investment in a Fund on terms other than those described in the Funds' organizational and offering documents. Any such terms, including with respect to (i) reporting obligations; (ii) transfer rights to affiliates; (iii) withdrawal rights due to adverse tax or regulatory events; (iv) consent rights to certain partnership agreement amendments; or (v) any other matters described in the Fund's organizational and offering documents may be more favorable than those offered to any other investors who have invested lesser amounts. Such agreements will have the effect of establishing rights under, or altering or supplementing the terms of, the partnership agreement with respect to such investor.

Legal Counsel - LLR and its Funds has been represented by one counsel in connection with the offering of Fund interests pursuant to each Fund's organizational and offering documents: Klehr Harrison Harvey Branzburg LLP ("Klehr Harrison"), some of the partners of whom may be investors in an LLR Fund and other ICP Affiliate Firm funds. Klehr Harrison is not representing any investor or limited partner, and prospective investors should seek individual counsel if they so desire. Mr. Leonard Klehr, the Vice Chairman of Lubert-Alder, is of counsel at Klehr Harrison. Although Mr. Klehr receives an annual stipend from Klehr Harrison for the use of his name and title as of counsel at Klehr Harrison, he receives no compensation from Klehr Harrison for Klehr Harrison's activities that are directly related to LLR.

Taxable and Non-taxable Entities - Investors in the LLR Funds are expected to include both taxable and tax-exempt entities. In addition, investors likely will include persons and entities organized in various jurisdictions. As a result, decisions made by LLR and its affiliates may create conflicts of interest among such investors because those decisions may be more beneficial for one type of investor than for another. In selecting investments that are appropriate for a Fund, LLR will consider the investment objectives of each Fund as a whole and not the investment objectives of any individual investor.

Item 10. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics - LLR has adopted a written Code of Ethics (the "Code") that is applicable to all of its partners, officers and employees (i.e., "Access Persons") and is designed to comply with Rule 204A-1 of the Advisers Act. LLR's Code is based upon the premise that LLR and its Access Persons have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service and put the interests of its Funds first. The Code requires all Access Persons to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Fund interests ahead of those of LLR; (3) observe LLR's personal trading policies so as to avoid "front-running" and other conflicts of interests between LLR and its Funds; (4) report any perceived violations of the Code; and (5) ensure that they have read the Code, agreed to adhere to the Code, and are aware that a record of all violations of the Code will be maintained by LLR.

The Code governs the securities trading and investing activities of all Access Persons for their own personal accounts. Access Persons must first pre-clear personal trades for covered securities, as defined under the policy, in a personal account. They must also seek preapproval when participating in a private placement or transacting in initial public offerings (IPOs). A pre-clearance request will be denied if a securities issuer is under consideration for investment, or has been acquired by an LLR Fund or LLR is in receipt of material non-public information related to a company or if another conflict exists.

Under the Code, Access Persons are also required to file certain periodic reports and certifications with LLR's Chief Compliance Officer. A copy of the Code is distributed to each Access Person at the time of hire and annually thereafter. Access Persons are also required to attend annual Code of Ethics training and certify that they are in compliance with the Code. Access Persons who violate the Code can be subject to sanctions by LLR's Compliance Committee, including possible employment termination. A copy of the Code is available upon request from LLR's Chief Compliance Officer, Michelle Vaughn at mvaughn@llrpartners.com.

Managing Partners, certain employees and affiliated persons of LLR may invest in the Funds, either through a general partner affiliate or as direct investors in the Funds. LLR or an affiliated general partner, as applicable, may reduce all or a portion of the Management fee and/or Carried Interest related to investments held by such persons.

Item 11. Brokerage Practices

As the LLR Funds primarily invest in private transactions, LLR does not maintain or operate a traditional securities trading desk to engage in the execution of publicly-traded securities for the Funds. However, to meet its fiduciary duties to the Funds, LLR has adopted policies and procedures to address issues that might arise with respect to purchasing, holding and selling publicly traded securities. In placing trades of publicly traded securities, LLR will seek "best execution" for each transaction. Best Execution means obtaining for the Fund the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker-dealer. In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, LLR will take into account all factors that it deems relevant to the broker's or dealer's execution capabilities, including but not limited to price, the size of the transaction, the nature of the market, the amount of the commission, the timing of the transaction, the reputation, financial stability, execution capabilities, experience, and quality of service of the broker dealer.

LLR seeks to have its privately negotiated transactions, including publicly traded securities, executed in the best interest of the Funds, taking into account various factors such as the size, cost, competence, market activity and the availability of brokers/dealers.

In the event that a Fund would transact in a publicly-traded security and incur a trade error, such error is to be corrected by LLR as soon as practicable and in a manner, so that such Fund incurs no financial loss.

LLR does not participate in or accept soft dollar benefits or commission sharing arrangements and does not direct brokerage in exchange for referrals.

Item 12. Review of Accounts

Oversight and Monitoring - LLR's Managing Directors and investment professionals are responsible for reviewing and monitoring each Fund's portfolio companies on a continual basis. In addition to daily communication between the investment professionals, planned weekly and ad hoc meetings are held to review the status of each Fund. Fund monitoring also includes reviews of monthly financial reporting packages from the Funds' portfolio companies, attendance at a portfolio company's board of directors meetings and participation in their annual strategic planning and budgeting sessions.

Investor Reporting - Fund investors generally receive the following reports: (i) annual audited financial statements of the Fund, (ii) quarterly reports containing a brief narrative of the status and operations of each Fund investment and (iii) such other information as is necessary for the preparation of tax returns. Furthermore, there is an annual meeting of investors to review the status of each Fund.

Item 13. Client Referrals and Other Compensation

LLR does not receive any compensation or economic benefit (i.e., sales awards or prizes) from any third party person or entity for advisory services other than from the Funds.

LLR has not engaged any third-party placement agents and/or solicitors to introduce prospective investors to the Funds. If LLR were to engage any third party placement agents or solicitors to introduce prospective investors to the Funds, any solicitation arrangement will be fully disclosed to affected investors and will comply with the requirements of Rule 206(4)-3 under the Advisers Act, where applicable.

Item 14. Custody

LLR complies with the Advisers Act custody rules in the following manner: (i) each Fund is subject to audit by a registered independent accountant at least annually; (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all investors within 120 days of the end of its fiscal year; and (iii) upon liquidation will distribute its audited financial statements prepared in accordance with generally accepted accounting principles to all investors promptly after the completion of such audit. Such audits will include any funds and certificated securities that, as required by applicable law, are placed in custody with a qualified custodian.

Item 15. Investment Discretion

Under each Fund's organizational and offering documents, LLR has investment discretion to manage the Funds' assets.

Item 16. Voting Client Securities

LLR's investment strategy and portfolio composition rarely include investments in publicly traded securities that attach voting rights, such as common stock. Therefore, LLR rarely votes proxies. To the extent that any Fund would hold voting securities, LLR has the sole authority to direct the voting of such securities. The voting securities held by the Funds generally entail large or controlling interests of

privately held issuers. Unlike the limited voting rights attributable to publicly traded securities, the Funds generally have broad voting authority on a wide range of matters affecting these privately held issuers. LLR votes such interests, on behalf of the Funds, in the economic interests of the applicable Fund. When voting securities, LLR considers relevant facts, which may include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity, and customary industry and business practices.

Item 17. Financial Information

LLR does not require or solicit prepayment of fees six months or more in advance. Additionally, the firm is not subject to any financial condition that would reasonably impair its ability to meet contractual commitments to its Funds.