

FRIEDMAN FLEISCHER & LOWE, LLC

Form ADV Part 2A: Firm Brochure (March 30,
2015)

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This brochure provides information about the qualifications and business practices of Friedman Fleischer & Lowe, LLC ("FFL", the "Firm" or "Advisor"). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at (415) 402-2100.

FFL is registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940 (the "Advisers Act"). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about FFL is also available on the SEC's website at: www.adviserinfo.sec.gov.

Item 2: Material Changes

The Firm's business activities have not changed materially since the last update of this brochure on July 11, 2014. This brochure has been updated to provide additional detail regarding FFL's governance structure under Item 13 and also to update the amount of client assets the Firm manages under Item 4.

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Item 4: Advisory Business

FFL is a San Francisco-based private equity firm primarily focused on investing in U.S. middle market companies. FFL was established in 1997 and since then has raised and managed four groups of private equity partnerships with aggregate capital commitments of \$4.6 billion¹. FFL's primary business is to direct private equity investments in U.S., middle market companies through the financing of buyouts, growth initiatives, and recapitalizations. FFL is principally owned by Tully Friedman, Spencer Fleischer, and Chris Masto.

FFL serves as an investment manager to related investment partnerships that make private equity investments in the securities of businesses (each partnership, a "Private Equity Partnership" or "Partnership"). FFL's strategy is to make control-oriented investments or influential, non-control investments in the companies in which it invests.

In providing services to each Partnership (collectively, "Partnerships"), FFL formulates the investment objectives, directs and manages the investment and reinvestment of each Partnership's assets, and provides periodic reports to each Partnership's investors. Investment management services are provided directly to the Partnerships and not individually to the limited partners of the Partnerships. FFL manages the assets of each Partnership in accordance with the terms of the Partnership's applicable governing documents.

As of March 27, 2015, FFL managed \$4,825,973,000 in client assets on a discretionary basis and no assets on a non-discretionary basis.

Item 5: Fees and Compensation

For each Partnership, with the exception of certain Partnerships established and beneficially owned by industry executive investors, employees and other designees of the Firm ("Designee Funds"), FFL or an affiliated company will receive carried interest and/or a priority allocation (together "performance-based fees") along with a management fee for providing investment management services. Management fees are generally payable in quarterly installments in advance, and any payment for a period of less than three months is adjusted on a pro rata basis according to the actual number of days during the period. The Partnerships are generally charged a management fee of 2.0% of committed capital up and until the earlier of (a) the date when FFL is entitled to receive management fees from a successor fund and (b) the end or early termination of the Partnership's investment period; and 1.5% of invested capital thereafter. For certain of the Partnerships, the management fee may be reduced, but not below zero, by capital contributed by the limited partners to fund placement fees, excess organization expenses and incentive capital contributions. As discussed in Item 14, management fees may also be reduced by fees and certain items of compensation received by FFL or its affiliates. However, compensation received by FFL's Operating Team Members from portfolio companies will not reduce the management fee otherwise payable by a Partnership and a portion of that

¹ Aggregate capital commitments include capital commitments through March 27, 2015, the most recent closing.

compensation will be borne indirectly by a Partnership via its ownership interest in such portfolio companies.

See Item 6 for a discussion of performance-based fees.

The carried interest and management fee may be deferred, waived or reduced at the discretion of FFL and its affiliates.

Pursuant to each partnership agreement, limited partners are not permitted to make voluntary withdrawals. In the event of a non-voluntary withdrawal, as in the case of avoiding violations of ERISA, FFL may refund all pre-paid fees that have not been earned.

In addition to management and performance-based fees, if any, limited partners in the Partnerships will bear, to the extent not reimbursed by a portfolio company, all costs and operating expenses of the Partnerships. These expenses typically include: organizational expenses (including all out-of-pocket legal, accounting, printing, travel and filing fees and expenses incurred in connection with the sale of interests in the Partnerships); banking and custodial fees; professional fees including legal, auditing, administration, regulatory and compliance expenses (including expenses associated with compliance with the AIFM Directive), appraisal and valuation expenses, and accounting expenses (including expenses associated with the preparation and dissemination of Partnership financial statements, investor communications, tax returns and K-1s and the representation of the Partnerships or its investors by the tax matters partner); expenses of the Advisory Committee and annual meetings of the limited partners; fees and expenses related to indebtedness (including any interest thereon), guarantees and temporary investments; premiums for insurance protecting the Partnerships and any partner or employee of FFL, or another designated individual ("Covered Persons"), from liabilities to third parties in connection with Partnership affairs; other expenses associated with the identification, evaluation, acquisition, holding and disposition of its investments and all out-of-pocket expenses in connection with transactions not consummated, including, among other things, industry research, consultant and advisor fees (including consultants engaged in due diligence such as legal, accounting, tax, insurance, environmental and regulatory matters, industry experts such as current and former industry executives, background investigations, and public relations), certain mail, delivery and reproduction charges, certain telecommunication charges, meals, lodging and transportation directly related to deal evaluation or portfolio company monitoring; expenses related to organizing alternative investment vehicles through or in which portfolio investments are made; taxes and other governmental charges, fees and duties payable by the Partnerships, other than taxes withheld from distributions to an investor or otherwise borne by an investor; costs of reporting to investors and to governmental authorities with respect to investors, the Partnerships or the Partnerships' activities and investments (including preparation of Form PF with respect to the Partnerships and the portfolio companies); costs of winding up, liquidating and dissolving the Partnerships; annual registration fees and registered office fees and expenses; and extraordinary expenses (such as litigation). Certain costs and expenses are borne by all the Partnerships and will be allocated to each Partnership by FFL in its good faith discretion or in accordance with the governing documents of each applicable Partnership. Certain costs and expenses may be incurred by FFL, or its affiliates, and be reimbursed by the Partnerships. To the extent certain costs and out-of-pocket expenses are reimbursed by a portfolio company, a portion

of such amounts will be indirectly borne by a Partnership via its ownership interest in such portfolio company.

Detailed information regarding the fees and expenses charged to the Partnerships is provided in each Partnership's governing documents.

Item 6: Performance-Based Fees and Side-by-Side Management

Each Partnership's items of income, gain and loss are initially allocated among the partners of the Partnership in proportion to their investment percentage interest. To the extent that limited partners in each Partnership, with the exception of the Designee Funds, have combined profits from the Partnership in excess of the priority allocation, if any, the Partnership is subject to carried interest of 20% of investment income and 20% of profits on distributions derived from the disposition of investments or securities, subject to an internal rate of return hurdle.

Detailed information regarding the performance-based fees charged to the Partnerships is provided in each Partnership's governing documents.

FFL may also offer co-investment opportunities, in its sole discretion, with or without fees or carried interest, as further described in Item 11.

Performance-based fees may create an incentive for the general partner of the Partnership to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments, than would be made if such fees were not allocated to the general partner. FFL has in place policies and procedures to address these and other conflicts, including policies and procedures designed to ensure allocation of trades and securities among Partnerships on a fair and equitable basis. See Item 11 for a description of these policies and procedures.

Item 7: Types of Clients

FFL provides investment management services to four primary Private Equity Partnerships, each a "Primary Fund" together with their related "side funds" and alternative investment funds. Each "side fund" to the Primary Fund generally invests side-by-side, on a pro rata basis, with its Primary Fund. Each Partnership operates as pooled investment vehicle intended to provide management expertise and other advantages to its portfolio company investments. The minimum capital commitment for a limited partner of each Primary Fund is \$10,000,000; however FFL maintains discretion to accept less than the minimum investment threshold. FFL maintains discretion over minimum capital commitments of the side funds.

The Partnerships may enter into separate agreements, commonly referred to as "side letters", with certain investors to grant certain rights or allow such investors to invest on different terms than those specifically described in the offering documents. Under certain circumstances, these agreements may create preferences or priorities for such investors with respect to other limited partners.

Investors are required to make certain representations when investing in a Partnership, including but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment, and (iii) they have the ability to bear the economic risk of an investment in the Partnership. Each investor is furnished with a copy of the partnership agreement and other governing documents.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategy and Process

Each Partnership's investment objective is to achieve long-term capital appreciation primarily through U.S. middle market investments in companies in which the Partnerships will generally have influence on the management, operations and strategic direction of the business. FFL will typically target investments ranging in size from \$50 million to \$300 million and typically expects to hold investments for four to six years.

FFL focuses on financing buyouts, growth initiatives and recapitalizations of U.S. middle market companies.

FFL's professionals have diverse, complementary backgrounds as investment professionals, investment bankers, strategic consultants, and operating executives. FFL believes that the combination of these backgrounds results in comprehensive insights into the attractive attributes, risks and value creation levers of portfolio companies. Furthermore, the Firm believes that the depth and breadth of the FFL team's experience gives it a differentiated ability to make fine judgments in evaluating industries and management teams of prospective investments.

In addition to a middle market focus and a team-oriented approach, FFL's investment strategy includes: (i) sector-based proactive deal sourcing; (ii) collaborative partnerships with excellent portfolio management teams; (iii) an emphasis on transactions with limited or no formal process where FFL's reputation and relationships provide a competitive advantage; (iv) an intense due diligence process with a focus on the inherent attractiveness of a business; (v) creative and flexible transaction structuring; (vi) value creation through application of the Firm's strategic, financial and operating expertise; and (vii) a disciplined re-underwriting process with careful consideration of exit timing.

Associated Risks

All investing involves a risk of loss and the investment strategy pursued by the Advisor could lose money over short or even long periods. Key risk areas inherent to investing in portfolio companies include operational, investment and market risks. FFL seeks to mitigate these risks through a variety of mechanisms, including operational due diligence, risk modeling, and appropriate investment structuring.

The descriptions contained below are a brief overview of different associated risks related to the Advisor's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Partnerships. **The private placement memoranda of the Partnerships describe in greater detail the risks associated with an investment in the Partnerships.**

Lack of Diversification; Risk of Loss of Capital

Since the Partnership may only make a limited number of investments, and since a Partnership's 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 investors. No guarantee or representation is made that a Partnership will achieve its investment objectives or that invested capital will be returned.

Although FFL is primarily focused on investing in U.S. companies, a portion of the Partnership's capital may be invested in businesses that are based outside of the United States and Canada. Such investments will involve risks not typically associated with investments in the securities of U.S. companies. For instance, investments in non-U.S. businesses (i) may require significant government approvals under corporate, securities, exchange control, non-U.S. investment and other similar laws and regulations; (ii) may require financing and structuring alternatives and exit strategies that differ substantially from those commonly used in the United States; and (iii) will expose the Partnership to potential losses arising from changes in foreign currency exchange rates. The foregoing factors may increase transaction costs and adversely impact the value of a Partnership's investments in non-U.S. portfolio companies.

Competitive Nature of the Partnership's Business

The business of the Partnerships is highly competitive. FFL will be competing for investment against other groups, including direct investment firms, merchant banks and industrial groups, and FFL may be unable to identify a sufficient number of attractive investment opportunities for each Partnership to meet its investment objectives. Other investors may make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with the board of directors or owners of an acquisition target, consummating the transaction is subject to a myriad of uncertainties, only some of which are foreseeable or within the control of FFL. To the extent that the Partnerships encounter competition for investments, yields to investors may be reduced.

No Right to Control the Partnership's Operations

Investors holding limited partnership interests have no opportunity to control the day-to-day operations of the Partnerships, including investment and disposition decisions. In order to safeguard their limited liability for the liabilities and obligations of the Partnership, such investors must rely entirely on FFL to conduct and manage, respectively, the affairs of each Partnership.

Risk Arising from Provision of Managerial Assistance

The Partnerships will typically designate directors to serve on the boards of directors of portfolio companies. The designation of representatives and other measures contemplated could expose the assets of the Partnership to claims by a portfolio company, its security holders and its creditors, including claims that the Partnership is a controlling person and thus is liable for securities laws violations of a portfolio company. These measures also could (i) result in certain liabilities in the event of the bankruptcy or reorganization of a portfolio company; (ii) result in claims against the Partnership if the designated directors violate their fiduciary or other duties to a portfolio company or fail to exercise appropriate levels of care under applicable corporate or securities laws, environmental laws or other legal principles; and (iii) expose the Partnership to claims that it has interfered in management to the detriment of a portfolio company. While FFL intends to manage each Partnership in a way that will minimize the exposure to these risks, the possibility of successful claims cannot be precluded.

Risks Upon Disposition of Investments

In connection with the disposition of an investment in a portfolio company, each Partnership 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 a business, or may be responsible for the contents of disclosure documents under applicable securities laws. The Partnership may also be required to indemnify the purchasers or underwriters in such transaction to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities that might ultimately have to be funded by the investors. Each partnership agreement contains provisions to the effect that if there is any such claim in respect of a portfolio company, it will be funded by the investors to the extent that they have received distributions from the Partnership, subject to certain limitations.

Risk of Minority Positions

If, as part of its overall investment strategy, the Partnership elects at any time to hold a minority position in one or more portfolio companies, it may not be able to exercise control over such companies.

Follow-On Investments

The Partnership may be called upon to provide follow-on funding for its portfolio companies or have the opportunity to increase its investment in such portfolio companies. There can be no assurance that each Partnership will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by the Partnership not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish the Partnership's ability to influence the portfolio company's future development.

Borrowings and Credit Support

The extent to which each Partnership uses leverage may have important consequences including, but not limited to: (i) use of cash flow for debt service and related costs and expenses rather than for additional investments, (ii) limitations on the flexibility of the Partnership to sell assets that are pledged to secure the indebtedness, and (iii) limiting the Partnership's ability to use its interests as collateral for other indebtedness. Additionally, each Partnership may make contingent funding commitments and other credit support to its portfolio companies. There can be no assurance that the Partnership will have sufficient cash flow to meet its debt service obligations. As a result, the Partnership's exposure to losses may be increased due to the illiquidity of its investments generally.

General Economic Conditions

General economic conditions may affect each Partnership's activities. Interest rates, general levels of economic activity, the price of securities, the availability of financing and participation by other investors in the financial markets may affect the value and number of investments made by the Partnership or considered for prospective investment. Economic conditions can have significant impact on the performance of each Partnership's investments.

Certain Regulatory Considerations

The Partnerships expect to make investments in a number of different industries, some of which are or may become subject to regulation by one or more U.S. federal agencies and by various agencies of the states, localities, and counties in which they operate. New and existing regulations, changing regulatory schemes and the burdens of regulatory compliance all may have a material negative impact on the performance of portfolio companies that operate in these industries. FFL cannot predict whether new legislation or regulation governing those industries will be enacted by legislative bodies or governmental agencies, nor can it predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on each Partnership's investment performance.

Bankruptcy of Portfolio Companies

The Partnerships may make investments in portfolio companies that experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state laws in connection with such bankruptcy proceedings could operate to the detriment of the Partnerships. There is also a risk that a court may subordinate each Partnership's investment to various creditors or require the Partnerships to return amounts previously paid by a portfolio company that becomes insolvent or files for bankruptcy, a risk that could increase if the Partnerships have management rights in such portfolio company.

Communications and Media Regulatory Considerations

Certain communications and media companies are subject to extensive U.S. federal, state and local regulatory requirements. Certain regulations that are intended to limit the concentration of

ownership and control of communications and media companies may prevent the Partnerships from making certain investments that they would otherwise make. Other regulations may cause the Partnerships to incur substantial additional costs or lengthy delays in connection with the completion or disposition of such investments. In general, investors will be subject to special “insulating” provisions with respect to such investments.

Unspecified Use of Proceeds

Purchasers of limited partnership interests will not have an opportunity to evaluate for themselves the relevant economic, financial, and other information regarding the investments to be made by the Partnership and, accordingly, will be dependent upon the judgment and ability of FFL in investing and managing the capital of the Partnership. No assurance can be given that the Partnership will be successful in obtaining suitable investments, or that if such investments are made, the objectives of each Partnership will be achieved.

Reliance on Management of Portfolio Companies

While it is generally the intent of FFL to invest in companies with proven operating management in place, there can be no assurance that such management will be in place at the time of investment or that such management will continue to operate successfully. Although FFL will monitor the performance of each investment, the Partnership will rely upon management to operate the portfolio companies on a day-to-day basis.

Risks in Effecting Operating Improvements

In some cases, the success of each Partnership’s investment strategy will depend, in part, on the ability of the Partnership to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Partnerships will be able to identify or implement such restructuring programs and improvements successfully.

Investments in Less Established Companies

The Partnerships may invest a portion of its assets in the securities of less established companies. Investments in such growth companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by the Partnership, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and are, therefore, often more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. There can be no assurance that any such losses will be offset by gains (if any) realized on each Partnership’s other investments. In addition, less mature companies could be deemed to be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which each Partnership invests, the Partnership may suffer a partial or total loss of capital invested in that company.

The Partnerships may invest in portfolio companies that: (a) have little or no operating history; (b) offer services or products that are not yet ready to be marketed; (c) are operating at a loss or have significant fluctuations in operating results; (d) are engaged in a rapidly changing business; or (e) need substantial additional capital to set up internal infrastructure, hire management and personnel, support expansion or achieve or maintain a competitive position. Such portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive capabilities and a larger number of qualified managerial and technical personnel.

Environmental Matters

The Partnerships may invest in portfolio companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements, and there can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on portfolio companies or potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on portfolio companies, and there can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims.

Regulatory Approvals

Each Partnership intends to invest in portfolio companies it believes have obtained all necessary regulatory approvals. In addition, the Partnerships may require the consent or approval of applicable regulatory authorities in order to acquire or hold particular portfolio companies. A portfolio company could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such portfolio companies. Governments have considerable discretion in implementing regulations that could impact a portfolio company's business, and because its business may provide basic, everyday services, and face limited competition, governments may be influenced by political considerations and may make decisions that adversely affect a portfolio company's business. Moreover, additional regulatory approvals, including, without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in a portfolio company's customer(s) or for other reasons. There can be no assurance that a portfolio company will be able (a) to obtain all required regulatory approvals that it does not yet have or that it may require in the future, (b) to obtain any necessary modifications to existing regulatory approvals or (c) to maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay in satisfying or failure to satisfy any regulatory

conditions or other applicable requirements could prevent operation of a facility or sales to third parties or could result in additional costs to a portfolio company.

Where a portfolio company is the sole or predominant service provider in its service area and provides services that are essential to the community, it may be subject to rate regulation that will determine the prices it may charge. It may be subject to unfavorable price determinations that may be final with no right of appeal or that, despite a right of appeal, could result in its profits being negatively affected.

Defined Benefit Pension Liabilities

A recent court decision has increased the likelihood that the Partnerships could be jointly and severally liable with its portfolio companies for the portfolio companies' defined benefit pension liabilities. Under ERISA, a trade or business that owns at least 80% of another entity may be jointly and severally liable for that other entity's unfunded pension liabilities if the plan terminates or if the employer withdraws from contributing to the plan. A recent Federal appeals court decision has held that a private equity fund is a "trade or business" for these purposes. In acquiring portfolio companies with unfunded pension liabilities, both the risk of this liability being incurred as well as risk mitigation strategies will be evaluated and, in appropriate instances, this risk may cause the Partnerships to not pursue an otherwise attractive investment opportunity or to limit its ownership percentage to below the 80% threshold.

Investments with Third Parties in Partnerships and Other Entities

The Partnerships may co-invest with third parties through consortiums of private equity investors, partnerships, joint ventures or other similar arrangements. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-investor may have financial, legal or regulatory difficulties, resulting in a negative impact on such investment; may have economic or business interests or goals that are inconsistent with those of the Partnerships; or may be in a position to take (or block) action in a manner contrary to each Partnership's investment objectives. In addition, the Partnerships may in certain circumstances be liable for the actions of its third-party co-investors.

Uncertainty of Financial Projections

FFL generally will agree to the pricing of transactions and establish the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. Projected operating results normally will be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

Investments Longer than Term

The Partnerships may make investments that may not be advantageously disposed of prior to the date each Partnership will be dissolved, either by expiration of the Partnership's term or otherwise. Although FFL expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the Firm has a limited ability to extend the term of each Partnership, the Partnership may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, there can be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to the investors will occur.

Leverage

Certain of the Partnerships' investments may be in businesses with high levels of debt or may be investments in leveraged buyouts; leveraged buyouts by their nature require companies to undertake a high ratio of fixed charges to available income. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses.

Item 9: Disciplinary Information

There are no legal or disciplinary events required to be disclosed under this Item 9.

Item 10: Other Financial Industry Activities and Affiliations

FFL organizes and sponsors the Partnerships, which are pooled investment vehicles. FFL is under common control with each Partnership's general partner. FFL provides certain management services to the Partnerships but the activities of the Partnerships remain the ultimate responsibility of each Partnership's general partner and all decisions relating to the selection and disposition of the Partnership's investments are made exclusively by each Partnership's general partner.

We have numerous business relationships throughout the financial industry that assist us in the investment activities and administrative matters for our Partnerships. We use a service provider that employs the daughter of one of the Firm's principals, which could have a bearing on FFL's use of the service provider but in all cases the Adviser will act in the best interests of the Partnerships.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Pursuant to Rule 204A-1 of the Advisers Act, FFL has adopted a written Code of Ethics (the "Code"). FFL requires all Covered Persons to act in the Partnerships' best interests, abide by all applicable regulations, and avoid any action that is, or could even appear to be, legally or ethically improper.

FFL forbids the illegal use of material non-public information in trading securities, regardless of whether the trades are executed for client accounts or for a personal securities account. FFL places strict limitations on the purchase or sale of securities that are held by the Partnerships; requires pre-clearance before purchasing an IPO or limited offering (i.e., private placement); requires periodic reporting of Covered Persons' personal securities transactions and all holdings; and requires prompt internal reporting of Code violations. FFL endeavors to maintain current and accurate records of all personal securities accounts of its Covered Persons in an effort to monitor all such activity. A copy of FFL's Code is available upon request.

Other Conflicts of Interest

Certain conflicts of interest are inherent in investing in portfolio companies and managing the Partnerships. The descriptions contained below are a brief overview of different conflicts of interest related to the Advisor's operations; however, it is not intended to serve as an exhaustive list or a comprehensive description of all conflicts that may arise in connection with the management and operations of the Partnerships.

Risk of New Fund

FFL may organize or invest from a new fund substantially similar to the existing Partnerships once a specified percentage of the capital commitments have been invested or committed to be invested (including amounts reserved to make follow-on investments in existing portfolio companies or to provide for Partnership expenses), or at the end of each Partnership's investment period.

Management of the Partnership

FFL professionals may spend a significant portion of their business time on matters unrelated to the Partnerships, including forming and managing new funds with different investment objectives, participating on the boards of public companies and not-for-profit institutions and certain other business activities. As a result, conflicts of interest will arise, including with respect to allocating management time, services and functions between affiliates; and the acquisition from time to time by the FFL professionals and their affiliates of confidential information that they will not be able to use for the benefit of each Partnership.

FFL professionals may serve as board members of public companies or not-for-profit institutions and may be called upon to make recommendations as to the deployment of investable assets on behalf of the company or institution and as a result, conflicts of interest may arise. FFL professionals will seek to avoid such conflicts by taking actions necessary to eliminate the conflicts; such actions may include but are not limited to, the professional recusing him/herself from participating in the decision to make such recommendations.

Portfolio Company Representation

Employees of the Advisor may serve as directors and officers of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be

in the best interests of the portfolio company may not be in the best interests of the Partnership, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of the Advisor and such individual's duties as a director or officer of such portfolio company.

The Partnerships may invest in portfolio companies engaged in the investment management business. In certain circumstances, employees of the Advisor that serve as directors and officers of certain portfolio companies may, in that capacity, be required to make recommendations and/or make decisions as to the selection of investment advisors and/or investment fund managers and as a result, conflicts of interest may arise. FFL professionals will seek to avoid such conflicts by taking actions necessary to eliminate the conflict.

See Item 14 for a discussion of fees and other compensation paid by portfolio companies.

Relationship with Affiliated Funds

FFL manages multiple Private Equity Partnerships which invest primarily in equity securities. Each Partnership may invest in portfolio companies in which one or more of the Partnerships have also invested, either concurrently with such Partnerships or subsequent or prior to the investment by such Partnerships. Allocation of available investment opportunities between the Partnerships are subject to certain limitations as set forth in the governing documents and will be made by FFL in its good faith discretion and, in certain circumstances, in consultation with the Advisory Committee for each Partnership.

The appropriate allocation between the Partnerships of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by FFL in its good faith discretion and in accordance with the governing documents of each of the Partnerships.

Co-Investments

FFL may offer co-investment opportunities in its sole discretion, is not expected to offer co-investments with respect to all Partnership investments, and may allocate any such opportunities in its sole discretion after FFL has determined, in good faith, that an appropriate portion of the investment opportunity has been taken by the FFL Partnership(s). FFL may offer a co-investment opportunity based on a variety of factors, including, for example, on the basis of the size of investor commitments to one or more of FFL's Partnerships. In addition, FFL is not required to allocate co-investments to any limited partner in priority to third parties or at all, and FFL may also allocate co-investment opportunities to one or more limited partners to the exclusion of other limited partners. A Partnership may provide interim financing for the purpose of bridging a potential co-investment (but only to the extent that the Partnership would have been permitted to make such investment). Limited partners are not required to participate in co-investments offered by FFL, if any. There can be no assurances with respect to any amount of any co-investment opportunity will be made available in connection with a Partnership. The performance of co-investments is not aggregated with that of a Partnership, including for

purposes of determining FFL's carried interest or management fees. FFL may or may not seek expense reimbursement or charge management fees, one-time funding or administrative fees, and/or carried interest in respect of co-investments, and fee income attributable to co-investments may or may not be shared by FFL with co-investors, in each case as FFL determines in its sole discretion. FFL's allocation of any co-investment opportunities may benefit FFL as a result of, among other things, the receipt of any such fees or carried interest or commitments by a co-investor to any other Partnership. FFL will not provide such co-investment opportunities until it has determined, in good faith, the appropriate portion of the applicable investment opportunity to be taken by a Partnership in accordance with the governing documents of such Partnership. FFL may in its sole discretion structure any co-investment opportunity such that the proposed participants in such co-investment opportunity do not bear any broken deal expenses, with the result that a Partnership will bear all such broken deal expenses; provided, if so structured, that such participants will not be entitled to receive any break-up or similar fee income, if any, that may be earned with respect to such transaction. In most cases FFL does not expect that proposed participants in co-investments will bear broken deal expenses. Consequently, a Partnership may bear all such broken deal expenses (and in such case would be entitled to any such break-up or similar fee income, but there may be instances in which a Partnership will bear all broken deal expenses without the benefit of any break-up or similar fees).

Conflicts among or with Certain Limited Partners

Investors are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in the Partnership. As a consequence, conflicts of interest may arise in connection with decisions made by FFL, including but not limited to the nature or structuring of investments, which may be more beneficial for one investor than for another investor. In selecting and structuring investments appropriate for the Partnership, FFL will consider the investment and tax objectives of the Partnership and the investors as a whole, rather than the investment, tax or other objectives of any investor individually.

Investment Management Sector Focus

Certain Partnerships may invest in portfolio companies that are engaged in the investment management business. In seeking investment opportunities in the investment management sector, the Advisor may be faced with a variety of potential conflicts of interest (including but not limited to conflicts with a portfolio company of certain Partnerships). Any such conflict will be resolved as required by the Partnerships governing documents or otherwise in a fair and equitable manner as determined by FFL.

Resolution of Conflicts

Each Partnership will establish an advisory committee consisting of representatives of investors not affiliated with FFL (the "Advisory Committee"). The Advisory Committee will meet as required to consult with FFL as to, among other things, potential conflicts of interest. On any issue involving actual conflicts of interest, FFL will be guided by its good faith discretion. In the

event that any matter arises that FFL determines constitutes an actual conflict of interest between the Partnership, on the one hand, and FFL or its affiliates, on the other hand, FFL may take such actions as it deems necessary or appropriate in good faith to mitigate the conflict (and, upon taking any actions approved by the Advisory Committee, FFL will be relieved of any potential liability resulting from the conflict of interest).

Item 12: Brokerage Practices

FFL primarily focuses on making investments in private securities, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer acting on its behalf in making purchases, and commissions are not ordinarily payable in connection with such investments. To the extent FFL might transact in public securities for the Partnerships, it will select brokers based upon the broker's ability to provide best execution for the Partnerships. FFL is generally authorized to make the following determinations, subject to each Partnership's investment objectives and restrictions, without obtaining prior consent from the relevant Partnerships or any of their investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the allocation of brokerage transactions for the Partnerships, FFL will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices; (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although FFL generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

FFL has no formal arrangements with broker-dealers to receive research or other products or services other than execution, and FFL does not have any soft dollar or commission sharing agreements in place that would require FFL to provide any specified amount of brokerage to a broker-dealer. FFL, however, receives research reports free of charge from broker-dealers that may provide or seek to provide services to FFL, the Partnerships or its portfolio companies. Any information received from a broker-dealer is consistent with the safe harbor for brokerage and research services under Section 28(e) of the Securities Exchange Act of 1934. When FFL receives research or other information or opportunities from a broker-dealer free of charge, it could be viewed as receiving a benefit it does not have to pay for, and FFL could be viewed as having an incentive to select or recommend a broker-dealer for a transaction on behalf of a Partnership or portfolio company based on its interest in receiving such benefits rather than on receiving most favorable execution.

Item 13: Review of Accounts

FFL focuses on investments almost exclusively in private equity. All investment decisions are made by FFL's Senior Managing Members, together with its Managing Directors. FFL regularly reviews and monitors its portfolio companies. On a quarterly basis, FFL reviews the valuation of its portfolio companies. On an annual basis, FFL subjects each investment to a re-underwriting. FFL also reviews each investment whenever there is a major company event or market shift affecting the company or its exit options. In these reviews and re-underwritings, FFL typically reexamines its investment hypothesis, updates forecasts of company performance, assesses the likely current exit opportunities and value, and projects the forward return opportunity available from continuing to hold the investment, taking into account possible future increases or decreases in multiples.

FFL provides quarterly and annual reports to each limited partner. The quarterly package includes a detailed account of the major events that occurred during the quarter impacting FFL and the Partnerships' portfolio companies. FFL also provides audited financial statements annually and holds an annual investor meeting.

Item 14: Client Referrals and Other Compensation

During a fundraising cycle for a Partnership, FFL may compensate placement agents who facilitate capital commitments from limited partners. The fees associated with placement agent compensation will be paid by the Partnership, but borne by FFL through a 100% offset against the management fee. The use of a placement agent will be fully disclosed to the investors referred by such placement agent.

FFL or its affiliates may charge portfolio companies origination fees, breakup fees, consulting fees, monitoring fees and other similar fees (together "Fee Income"). FFL professionals who serve on the board of directors of portfolio companies may also receive cash compensation, stock options and/or restricted stock in their capacity as directors ("Director's Fees"). Subject to the discussion below regarding Operating Team Members, a percentage of certain components of such Fee Income and Director's Fees (in each case, net of unreimbursed expenses related thereto) that are received by FFL or any of its affiliates will be applied to reduce the management fee otherwise payable to FFL as follows:

Director's Fees received by an FFL professional with respect to all Partnerships -- 100% offset;

Fee Income received by FFL or its affiliates with respect to Friedman Fleischer & Lowe Capital Partners, L.P. -- 50% offset;

Fee Income received by FFL or its affiliates with respect to Friedman Fleischer & Lowe Capital Partners II, L.P. and parallel entities -- 50% offset for Fee Income totaling up to \$2.0 million in any calendar year, then 80% of all such fees in excess of \$2.0 million in any calendar year (provided, that if the aggregate amount of Fee Income subject to the

50% allocation exceeds \$9.0 million, then 80% of the amount of all such fees in excess of \$9.0 million, without regard to the amount of Fee Income in any given calendar year);

Fee Income received by FFL or its affiliates with respect to Friedman Fleischer & Lowe Capital Partners III, L.P. and parallel entities -- 65% offset for Fee Income totaling up to \$5.0 million in any calendar year, then 80% of all such fees in excess of \$5.0 million in any calendar year (provided, that if the aggregate amount of Fee Income subject to the 65% allocation exceeds \$20.0 million, then 80% of the amount of all such fees in excess of \$20.0 million, without regard to the amount of Fee Income in any given calendar year); and

Fee Income received by FFL or its affiliates with respect to FFL Capital Partners IV, L.P. and parallel entities -- 100% offset.

Fee Income excludes the receipt of expense reimbursements from portfolio companies noted in Item 5.

Certain of FFL's employees (and others who act in the capacity of a consultant or advisor) may from time to time be employed or engaged by and assist one or more portfolio companies in an operations capacity, which for example may involve interim management roles, projects relating to improvement initiatives, board service or other similar forms of operations support (such persons "Operating Team Members"). The services provided by Operating Team Members in such a capacity are separate and apart from FFL's investment management services to the Partnerships. Operating Team Members may also independently engage in activities or assignments unrelated to FFL or the portfolio companies. Operating Team Members, in many instances, receive cash compensation, stock options and/or restricted stock as well as other compensation in their capacity as directors or employees of a portfolio company, or in other operations capacities. Any such amounts (including without limitation, salaries, additional investment rights and similar cash and non-cash compensation and incentives) received, directly or indirectly, by such Operating Team Members in respect of such portfolio companies or other unrelated assignments will not reduce the management fee otherwise payable by a Partnership to FFL and will be borne by the portfolio companies. Therefore, a portion of such amounts will indirectly be borne by a Partnership and not by FFL via the Partnership's ownership interest in such portfolio companies.

From time to time FFL may earn certain other advisory fees unrelated to its portfolio activities.

Item 15: Custody

All Partnership assets are held in custody by unaffiliated broker/dealers or banks that are qualified custodians. FFL is deemed to have custody of Partnership assets because FFL is under common control with each Partnership's general partner. Investors will not receive statements from the custodian. Instead, the Partnerships are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles and distributed within 120 days of each Partnership's fiscal year end.

Item 16: Investment Discretion

FFL generally has discretionary authority to determine, without obtaining specific consent from the Partnership or its investors, the securities and amount of securities to be bought or sold. Any limitations on authority are included in each partnership agreement and other governing documents.

Item 17: Voting Client Securities

Most of the portfolio companies held by the Partnerships are private companies that typically do not issue proxies. However, in the event proxies have to be voted, FFL has adopted proxy voting policies and procedures, and shall be responsible for voting proxies on behalf of the Partnerships. FFL shall vote client proxies in a way that it believes will maximize shareholder value taking into account all relevant considerations. In exercising its voting discretion, FFL and its employees will seek to avoid material conflicts of interest raised by such voting decision. FFL will seek to provide adequate disclosure to the Partnerships' Advisory Committees if any substantive aspect or foreseeable result of the subject matter to be voted upon raises material conflicts of interest to FFL or any of its affiliates.

FFL's investment professionals or affiliates may serve as board members for the Partnerships' portfolio companies. In situations where FFL votes the proxy for a company in which a member of FFL serves on the board of directors, FFL has determined that it does not inherently present a conflict of interest as the purpose for serving on the board is to maximize the return on the Partnership's investment and to ensure that the Partnership's interests are protected.

A copy of FFL's proxy voting policy and a record of all proxy votes cast on behalf of the Partnerships will be maintained and is available upon request.

Item 18: Financial Information

FFL (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients, and (iii) has not been subject to any bankruptcy proceeding during the past 10 years.