

FFL PARTNERS, LLC

Form ADV Part 2A: Firm Brochure (March 29, 2019)

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This brochure provides information about the qualifications and business practices of FFL Partners, 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 annual update of this brochure on March 29, 2018. This brochure reflects the following: (i) in Item 4, update to the amount of client assets the Firm manages, (ii) update to disclosures in Items 6, 11 and 14 and (iii) additional risk disclosure in Item 8.

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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 \$4.8 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 its Senior Managing Members (Spencer Fleischer, Tully Friedman, Rajat Duggal, Chris Harris, Greg Long, Aaron Money, Cas Schneller) and Chris Masto, its Senior Advisor.

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 December 31, 2018, FFL managed approximately \$3,930,900,000 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 FFL's co-investment funds ("Co-investment Funds") and certain other 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

¹ Aggregate capital commitments include the General Partners' full participation which is both the cash and non-cash participation.

generally charged a management fee between 1.89% and 2.00% 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, but not including FFL employees who are from time to time 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, who may act in the capacity of portfolio company employees, consultants or advisors, "Operating Team Members"). Compensation received, directly or indirectly, by Operating Team Members from or in respect of portfolio companies will not reduce the management fee otherwise payable by a Partnership and all or a portion of that compensation will be borne by a Partnership directly or indirectly 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.

Certain Partnerships' governing documents require that a portion of the management fees be reduced by deemed capital contributions by such Partnership's general partner. Such deemed capital contributions reduce the amount of capital such general partner would otherwise be required to contribute to such Partnership. The limited partners of a Partnership fund the deemed capital contributions through a pro rata contribution according to their respective commitments. Such capital contributions are commonly referred to as "incentive capital contributions". Incentive capital contributions may result in an acceleration of investor capital contributions. Reduced management fees are generally not subject to the management fee offsets described below in Item 14. Due to reduced management fees by FFL and/or timing of the receipt of compensation subject to offsets (as described below), it is possible that management fee offsets will be delayed in a Partnership, resulting in a net additional benefit to FFL.

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 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 (including expenses incurred in connection with the attendance at such meetings of FFL personnel and Operating Team Members); fees and expenses related to indebtedness (including any interest thereon), guarantees and temporary investments; premiums for insurance protecting the Partnerships, FFL and its affiliates and any partner or employee of FFL and its affiliates, 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 expenses in connection with transactions not consummated, including, among other things, industry research, consultant (including Operating Team Members) and advisor fees (including consultants and advisors engaged to identify potential transactions and 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 meals, telecommunication charges, lodging and transportation directly related to deal identification and 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 or borne by a portfolio company, a portion of such amounts will be indirectly borne by a Partnership via its ownership interest in such portfolio company.

From time to time, certain limited partners (who may also be Operating Team Members) may provide deal due diligence or serve as consultants, advisers or employees of portfolio companies. Any compensation (including without limitation, salaries, additional investment rights and similar cash and non-cash compensation and incentives) received, directly or indirectly, by such limited partners in respect of such portfolio companies will not reduce the management fee otherwise payable by a Partnership to FFL and will typically be borne by the portfolio companies. Therefore, all or 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 company.

See Item 14 for a discussion of Fee Income.

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 Co-investment Funds and 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 carried interest arrangements borne by 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.

Carried interest arrangements 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 carried interest was 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, securities and investment opportunities among Partnerships on a fair and equitable basis and in accordance with each Partnership's investment guidelines and governing documents. See Item 11 for a description of these policies and procedures.

Item 7: Types of Clients

Currently, FFL provides investment management services to four primary Private Equity Partnerships, each a "Primary Fund" together with their related "side funds" or "parallel entities" and alternative investment funds, and two Co-investment Funds. Each "side fund" to the Primary Fund generally invests side-by-side, on a pro rata basis, with its Primary Fund. Each Co-investment Fund invests in a company that is also an investment of the Primary Fund and its side funds. Each Partnership operates as a 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 and side 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 Co-investment 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; Lack of Unilateral Control

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. Even if a Partnership is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Partnership invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, the relevant portfolio company may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of such Partnership or its limited partners. Such third parties may be in a position to take action contrary to the Partnership's business, tax or other interests, and the Partnership may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

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 Partnerships may, from time to time, to the extent permitted by their governing documents, borrow money or otherwise utilize leverage to provide interim financing to cover Partnership expenses or bridge the acquisition of investments. It is expected that any such borrowings will be secured primarily by the commitments of the Partnership's investors. In certain circumstances, FFL is expected to have incentives to cause a Partnership to borrow in this manner rather than drawing down capital commitments. The Partnerships bear costs relating to the establishment and/or maintenance of a subscription line of credit and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

In addition, a Partnership's investments are expected to include portfolio investments the capital structure of which may have significant leverage. Although borrowings by a Partnership may enhance overall returns, they may further diminish returns (or increase losses) to the extent overall returns are less than a Partnership's cost of funds. 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, (iii) increased interest expense if interest rate levels were to increase and (iv) 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.

Other Regulatory Restrictions

Anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent FFL or the Partnerships from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and

other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with, or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on or reject certain transactions. In certain circumstances, antitrust remedies relating to one Partnership's acquisition of a portfolio company may require one or more other Partnerships to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Partnership may be adversely affected because of FFL's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Partnership from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by FFL or limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Partnership will be able to participate in all potential investment opportunities that fall within its investment objectives.

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 Partnerships 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 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 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

On January 17, 2017, FFL consented to the entry of an administrative order by the SEC finding that FFL violated Section 206(4) of the Advisers Act and Rule 206(4)-5 thereunder, also known as the SEC's "pay-to-play" rule (the "Rule"). In the consent order, FFL was not required to and did not admit or deny any findings by the SEC, but agreed to pay a \$75,000 fine and to cease and desist any violations or future violations of the Rule. FFL paid the fine and no amount was borne by the Partnerships.

The Rule prohibits an investment adviser from providing investment advisory services for compensation to a government entity client or investor for two years after the adviser or certain of its executives or employees makes a campaign contribution to an elected official or candidate who can influence the selection of the investment adviser. The SEC found that, in 2012, an FFL employee covered by the Rule made a personal contribution to the gubernatorial campaign of a state government official. At that time, the state's pension plan was a limited partner in a Partnership. The pension plan made the decision to commit to the Partnership in 2008, approximately four years prior to the contribution, and made no commitments after the contribution. The Rule does not require a showing of intent to influence an elected official or candidate, and the SEC did not find any intent to influence an elected official or candidate in connection with this matter.

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.

As with other private equity fund sponsors, the Firm and its employees have developed many relationships with third parties that have the potential to raise conflicts of interest. Such third parties include, but are not limited to, investment bankers, brokers, finders (including executive finders and portfolio company finders), executives, consultants, professional advisors (such as attorneys and accountants), private equity investors, lenders, former employees and current and former directors, officers and employees of portfolio companies, as well as certain family members or close contacts of these persons.

Certain third parties may introduce investment opportunities, arrange for, or facilitate the financing, the purchase or recapitalization of potential portfolio companies, introduce portfolio companies to potential acquisition or merger candidates, provide investment banking, consulting or advisory services to the Firm, the Partnerships or portfolio companies, invest in the Partnerships or provide other significant business or investment services to the Firm, the Partnerships or portfolio companies. Such third parties may receive compensation from the Firm, the Partnerships or portfolio companies for providing these services, which compensation and services are intended to be on an arm's length basis.

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 Partnerships which invest primarily in private securities. Each Partnership may invest in portfolio companies in which one or more other 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 in accordance with its allocation policy in effect at such time and, in certain circumstances, in consultation with the Advisory Committee for each Partnership. Factors relevant to such allocations may include, but are not limited to, investment restrictions and objectives (including those set forth in each relevant Partnership's governing documents, where applicable), strategy, risk profile, time horizon, asset composition, diversification limits, cash level (if any), applicable tax and regulatory considerations, life cycle and structure.

The appropriate allocation among 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 Partnership(s) in accordance with the governing documents of such 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 the Partnerships, investor decision-making process and timing, investor preferred investment size, or the nature and extent to which the investor provides services to FFL. Although a prospective co-investor's willingness to invest in future Partnerships may be considered by FFL, it will not be the sole determining factor considered by FFL in identifying co-investors. In addition, FFL is not required to allocate co-investments to any limited partner in priority to strategic partners, investors, consultants, advisors, Operating Team Members or other third parties or at all. FFL may also allocate co-investment opportunities to one or more limited partners to the exclusion of other limited partners, and the consideration of factors such

as those set forth above may result in certain limited partners receiving multiple opportunities to co-invest, while other limited partners who are interested in co-investments may receive none. 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). In such instances, FFL is authorized, where appropriate and in FFL's sole discretion, to charge interest on the purchase to the co-investor or co-investment vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Partnership for related costs. Limited partners are not required to participate in co-investments offered by FFL, if any. There can be no assurances that 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 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. Similarly, in the event that an investment opportunity for which a co-investment vehicle was not formed and/or for which prospective co-investment participants were not formally selected, but for which, in the judgment of FFL, a co-investment was believed necessary or would otherwise have been beneficial and ultimately not consummated, all broken deal expenses relating to such investment opportunity will be borne by the relevant Partnership(s), and not by any potential co-investors, that were to have participated in such investment opportunity. Consequently, a Partnership generally will bear all such broken deal expenses (and in such case will be entitled to any such break-up or similar fee income, although in certain instances 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.

From time to time, certain limited partners or potential limited partners may provide loans or other financing in connection with an investment transaction. As a consequence, conflicts of interest may arise in connection with decisions made by FFL with respect to determining the terms of the loan or other financing and engaging such limited partner to perform any other services that may be offered by such limited partner to the Partnerships or portfolio companies. While these relationships could have a bearing on FFL's decisions regarding engaging such limited partners, in all cases FFL will act in what it believes in good faith to be not contrary to the interests of the Partnerships.

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.

Portfolio Company Relationships.

A Partnership's portfolio companies are or will be counterparties to or participants in agreements, transactions or other arrangements with portfolio companies of other Partnerships, that although FFL determines to be consistent with the requirements of such Partnerships' governing documents, would not have otherwise been entered into but for the affiliation with FFL. In certain circumstances, FFL expects to recommend products or services of one portfolio company to another. Potential conflicts of interest arise in making such recommendations, as FFL has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. FFL may

be a party to and benefit from discounted pricing under such agreements, transactions or arrangements, which are discounted due to scale. For example, under third party vendor agreements regarding a group purchasing program between certain of its portfolio companies, FFL receives substantially the same, but no better, pricing than its portfolio companies that participate in the program. Any such discounts received by FFL in connection with such agreements, transactions or arrangements will not reduce the management fees described herein. Discounted prices or better terms offered to FFL, any other portfolio company or third parties may affect the returns of a portfolio company.

Recommendations of and Relationships with Service Providers.

A portfolio company typically will reimburse FFL or service providers retained at FFL's discretion for expenses (including without limitation travel expenses) incurred by FFL or such service providers in connection with the performance of services for such portfolio company. This subjects FFL and its affiliates to conflicts of interest because the Partnerships generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time may be substantial. FFL determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Partnership, any fee paid or expense reimbursed to FFL or such service providers generally is subject to: agreements with or review by sellers, buyers and management teams; the review and supervision of the boards of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

FFL generally exercises its discretion to recommend to a Partnership or to a portfolio company thereof that it contracts for services with (i) a related person of FFL (which may include a portfolio company of such Partnership), (ii) an entity with which FFL or its affiliates or current or former members of their personnel has a relationship or from which FFL or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. This discretion subjects FFL to conflicts of interest, because although FFL selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Partnership, FFL may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that FFL, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Partnerships or FFL), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not FFL has a relationship or receives financial or other benefit from recommending a

particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Transactions Between Partnerships.

On occasion, the Firm may determine that it is in the best interests of a particular Partnership and another Partnership that the particular Partnership should invest in an existing portfolio company of another Partnership, such as when an opportunity exists for a follow-on investment in an existing portfolio company at a time when the Firm determines that the Partnership currently invested in such portfolio company does not have sufficient capital to participate in the follow-on investment or that it would not be in the best interests of such Partnership to make the follow-on investment. In addition, the Firm may determine that it is in the best interests of a particular Partnership and another Partnership to cause a particular Partnership to acquire an interest in a portfolio company from such other Partnership, such as when one Partnership provides bridge capital for another Partnership in connection with a co-investment between the Partnerships in a portfolio company. Such transactions raise potential conflicts of interest, including where the investment of one Partnership supports the value of portfolio companies owned by another Partnership. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such a transaction is entered into represents what ultimately would be the underlying investment's fair value. FFL may seek to mitigate such conflicts by seeking a valuation or the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price). In certain circumstances, FFL may determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Partnership under then-current market conditions. Such transactions are also subject to certain limitations as set forth in the governing documents of each Partnership, including, in certain circumstances, a requirement that the Firm consult with or receive the approval of the Advisory Committee for each Partnership. FFL intends that any such transactions will be conducted in a manner that it believes in good faith to be fair and equitable to each Partnership under the circumstances, including a consideration of the potential present and future benefits with respect to each Partnership.

Cross-Guarantees Among Partnerships.

In certain circumstances lenders and other market parties negotiate for the right to face only select entities which may result in a single Partnership being solely liable for other Partnerships' share of the relevant obligation and/or joint and several liability among

Partnerships. In each such case, FFL intends to cause the relevant other Partnerships to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Partnership undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Transfers of Fund Interests.

In certain cases, FFL will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership's governing documents, no obligation) to identify one or more secondary transferees of interests in a Partnership. In such cases, FFL will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant governing documents, will determine in its sole discretion whether the opportunity to receive a transfer of Partnership interests should be offered to one or more existing limited partners.

Multiple Partnerships Investing in a Single Portfolio Company.

From time to time, a Partnership may acquire securities or other instruments of a portfolio company that are senior, junior or identical to securities or financial instruments of the same issuer held by another Partnership. The interests of the Partnerships may not always be aligned, and actions taken for one Partnership may be adverse to another Partnership. Investments by multiple Partnerships in securities or other instruments of the same portfolio company are subject to certain limitations as set forth in the governing documents of each Partnership, including, in certain circumstances, a requirement that the Firm consult with or receive the approval of the Advisory Committee for each Partnership.

Where multiple Partnerships invest in the same portfolio company, whether at the same, different or overlapping levels of such portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Partnerships that have invested in different securities or financial instruments within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Partnerships may or may not provide such additional capital, and if provided, each

Partnership generally will supply such additional capital in such amounts, if any, as determined by its general partner in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, FFL may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Partnership versus another Partnership (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Partnership enters into any indebtedness with another Partnership on a joint and several basis, each such Partnership's general partner is expected to enter into one or more agreements that provide such Partnership with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, FFL may be subject to conflicts of interest, for example between a Partnership with a reimbursement obligation and a Partnership seeking reimbursement. In certain circumstances, Partnerships may be prohibited from exercising (or FFL may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Partnership or the other may be subject to creditor claims regarding subordination of interests. FFL intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Partnership to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

Conflicts may arise when a Partnership makes investments in conjunction with an investment being made by another Partnership, or if it were to invest in the securities of a company in which another Partnership has already made an investment. A Partnership may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Partnerships. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Partnership and the other Partnership(s) with which it co-invests will exit such investment at the same time or on the same terms. FFL and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Partnership's investment will be the same as the returns obtained by other Partnerships participating in a given transaction. Given the nature of these conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to each relevant Partnership.

Conflicts Related to Operating Team Members.

Operating Team Members who are employees of FFL typically maintain certain benefits, support services and/or indicia of employment at FFL but receive all or a portion of their compensation from or in respect of the relevant portfolio company. These arrangements

have the potential to create conflicts of interest, in that the amounts paid to such Operating Team Members by or in respect of portfolio companies do not result in additional offsets to the management fee of the relevant Partnership. Relationships between portfolio companies and Operating Team Members are often initiated to meet a temporary portfolio company need, and the arrangements between such Operating Team Members and the related portfolio companies are expected to change over time, and in many cases will be terminated when the portfolio company is sold. Operating Team Members who are employees of FFL may or may not return to FFL at the end of such an interim arrangement. See Item 14 for additional discussion of Operating Team Members.

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. 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"), and generally have discretion to set the amount of such Fee Income. In most circumstances, such Fee Income is not reviewed or approved by an independent third party.

Additionally, FFL, its personnel, affiliates or others designated by FFL expect from time to time to receive compensation in the form of portfolio company securities, and such compensation generally will be treated as Fee Income (except in the case of Operating Team Members as described below). After the relevant offset provisions described below are applied, FFL and/or such other recipients will be permitted to retain such securities as Fee Income, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or FFL) or retain such securities for a period consistent with the recipient's own financial and investment objectives, which may differ from those of the relevant Partnership.

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 (generally based on the Partnership's percentage ownership of the portfolio company) 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 by a Partnership 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. Fee income attributable to co-investors generally will not be shared with the Partnerships and typically will be retained by FFL. As a result, a Partnership will, in most cases, only benefit with respect to its allocable portion of any such fee income and not the portion of any fee income that relates to such co-investors.

Operating Team Members may assist FFL in identifying and evaluating potential investments for which the Operating Team Member intends to perform in an operations capacity. Operating Team Members, in many instances, receive cash compensation, stock options and/or restricted stock as well as other compensation for such assistance as well as in their capacity as directors or employees of a portfolio company, including a platform or other holding company, or in connection with other operations capacities. Any such amounts (including without limitation, salaries, additional investment rights and similar cash and non-cash compensation and incentives, and reimbursement for reasonable expenses incurred while providing such services) received, directly or indirectly, by such Operating Team Members in respect of such portfolio companies will not reduce the management fee otherwise payable by a Partnership to FFL and will be borne by a Partnership or such portfolio companies. Therefore, all or 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.

Operating Team Members may also independently engage in activities or assignments unrelated to FFL or the portfolio companies. Any amounts received, directly or indirectly,

by such Operating Team Members in respect of such unrelated assignments will not reduce the management fee otherwise payable by a Partnership to FFL.

Item 15: Custody

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 by an independent public accountant 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. Each Partnership's assets are held in custody by unaffiliated broker/dealers or banks that are qualified custodians to the extent required under the Advisers Act.

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.