

FORM ADV PART 2A -- INVESTMENT ADVISER BROCHURE

LINCOLNSHIRE MANAGEMENT, INC.

**780 Third Avenue
40th Floor
New York, NY 10017
(212) 319-3633
<http://www.lincolnshiremgmt.com>**

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Lincolnshire Management, Inc. (“LMI”). If you have any questions about the contents of this Brochure, please contact us at (212) 319-3633. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

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

MATERIAL CHANGES

This Brochure has been revised since the version dated May 2, 2018 to reflect certain updates and clarifications relating to LMI's business and certain conflicts of interest under "Advisory Business," "Fees and Compensation," "Performance-Based Fees and Side by Side Management," "Methods of Analysis, Investment Strategies and Risk of Loss," "Other Financial Industry Activities and Affiliations" and "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

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ADVISORY BUSINESS

LMI is a private investment management firm, which has several affiliated investment advisory entities and other organizations. LMI, a Delaware corporation and a registered investment adviser, provides discretionary investment advisory services to private investment funds. LMI commenced operations in 1986.

The following are the affiliated advisers of LMI (collectively with LMI, “**Lincolnshire**” or the “**Advisers**”):

General Partners

- Lincolnshire Equity Partners II, L.P. (“**LEP II**”);
- Lincolnshire Equity Partners III, L.P. (“**LEP III**”); and
- Lincolnshire Equity Partners IV, L.P. (“**LEP IV**”).

Management Companies

- Lincolnshire Management, LP (“**LMLP**”); and
- Lincolnshire Management IV, L.P. (“**LM IV**”).

LMI’s clients include the following private equity funds (each, a “**Fund**,” and together with any future private investment fund to which LMI or its affiliates provide investment advisory services, “**Funds**”):

- Lincolnshire Equity Fund II, L.P. (“**Fund II**”);
- Lincolnshire Equity Fund III, L.P. (“**Fund III**”);
- Lincolnshire Equity Fund IV, L.P. (“**LEF IV**”); and
- Lincolnshire Equity Fund IV-A, L.P. (“**LEF IV-A**,” and together with LEF IV, “**Fund IV**”).

The general partner entities listed above (the “**General Partners**”) each serve as general partner to one or more Funds and the management companies listed above (the “**Management Companies**”) each serve as the investment manager to one or more Funds. Each Adviser is deemed registered under the Advisers Act pursuant to LMI’s registration in accordance with SEC guidance. This Brochure describes the business practices of the Advisers, which operate as a single advisory business and are under common control. The General Partners and Management Companies make arrangements for investment advisory and other services (including personnel) from LMI to fulfill their obligations to the Funds. References contained in this Brochure to the strategy and operations of a General Partner or a Management Company should be read to include the activities of LMI and other Lincolnshire affiliates that collectively engage in the investment process and ongoing management of the Funds’ portfolio companies. However, LMI, the Management Companies and the General Partners each act in separate and specific capacities as described in the applicable limited partnership agreement of the relevant Funds (the “**Partnership Agreement**”) and any management agreements or other agreements between the entities.

The Funds, including those that may be formed by a General Partner (or its affiliates) at a later date or that may otherwise become clients of an Adviser, are expected to invest through negotiated transactions in operating businesses generally referred to herein as “**portfolio companies**”. The Advisers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted, subject to certain limitations in the Partnership Agreement of each Fund. From time to time, senior principals (the “**Principals**”) or other personnel of Lincolnshire serve on the boards of portfolio companies invested in by a Fund or otherwise act to influence control over management of those portfolio companies in which a Fund has invested.

The Advisers’ advisory services for the Funds are further described in the applicable private placement memoranda and Partnership Agreements as well as below under “Methods of Analysis, Investment Strategies and Risk of Loss” and “Investment Discretion.” Investors in Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the terms of the applicable Partnership Agreement. The Funds or the Advisers may enter into side letters or other similar agreements with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

From time to time, Lincolnshire may provide (or agree to provide) certain investors or other persons, including Lincolnshire’s personnel and/or certain other persons associated with Lincolnshire (to the extent not prohibited by the applicable Partnership Agreement), co-investment opportunities (including the opportunity to participate in co-invest vehicles) that will invest in certain portfolio companies alongside a Fund. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment, and the co-investor or co-invest vehicle may be charged interest on the purchase (or the Fund may otherwise equitably adjust the purchase price under certain conditions) to compensate the relevant Fund for the holding period, and generally will be required to reimburse the relevant Fund for related costs. To the extent such co-investment opportunities are offered, the Advisers will select which investors are permitted to participate in such co-invest opportunities based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons. The Advisers are not obligated to make co-investment opportunities available to any particular investors or limited partners.

As of December 31, 2018, LMI managed approximately \$655 million in client assets on a discretionary basis. LMI is owned by Thomas J. Maloney.

FEES AND COMPENSATION

In general, LMI and the Management Companies receive a Management Fee (as defined below) and the applicable General Partner is allocated a carried interest, each in connection with advisory services. LMI, the General Partners, Management Companies or other Lincolnshire entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of Funds and a portion of such additional compensation may offset in part the Management Fees otherwise payable to the relevant Management Company or LMI, as applicable. In addition, Lincolnshire may receive compensation for management and other services performed due to co-investments in portfolio companies of a Fund. Investors in the Funds also bear certain expenses.

Management Fee

Generally, each current Fund initially pays LMI or the relevant Management Company, as applicable, a management fee (the “**Management Fee**”) equal to 2.0% on an annual basis of third-party investor capital commitments (“**Commitments**”). Any investment by an Adviser in either of Fund III or Fund IV is not subject to the Management Fee. Investors participating in a closing after the initial closing of a Fund bear the Management Fee from the initial closing plus interest. The Management Fee is generally paid quarterly in advance. Following the occurrence of certain events as specified in the relevant Partnership Agreement, including the end of the applicable investment period and, in certain cases, the drawdown of a specified percentage of the Commitments, the Management Fee will be reduced in accordance with the terms of such Partnership Agreement. The Management Fee is typically payable until all portfolio investments and other assets have been distributed, disposed of or liquidated as described in the relevant Partnership Agreement. Installments of the Management Fee payable for any period other than a full Management Fee period are adjusted on *pro rata* basis according to the actual number of days in such period.

Except as otherwise provided herein or in the relevant Partnership Agreement, the Management Fee will typically be reduced by a specified portion of the relevant Fund’s share of certain types of fees received by an Adviser or its affiliates from portfolio companies or potential portfolio companies (such fees, “**Offset Fees**”). Offset Fees generally include the net amounts of closing fees, investment banking fees, management fees, consulting fees, origination fees, monitoring fees, directors’ fees, commitment fees, break-up fees, and similar fees received by an Adviser or its affiliates in connection with the activities of a Fund that relate to a portfolio company or potential portfolio company. To the extent an offset credit would reduce the Management Fee for a given Management Fee period below zero, the credit will be carried forward for future application against payable Management Fees.

From time to time, LMI may be paid closing fees, investment banking fees, management fees, consulting fees, origination fees, monitoring fees, directors’ fees, commitment fees, break-up fees, or similar fees from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which may be significant. Similarly, in certain circumstances, LMI expects that co-investors or

other parties will negotiate the right to share a portion of such fees from a particular investment, and the above-described offset percentage will be applied after excluding any amounts paid to such persons.

As permitted under the Partnership Agreement for each of Fund III and Fund IV, the applicable Management Company may waive or agree to reduce the Management Fee otherwise payable to it from the limited partners. Any such waived or reduced portion of the Management Fee may reduce dollar-for-dollar the amount of capital that affiliates of the applicable General Partner (including the Management Company in its capacity as a limited partner of each of Fund III and Fund IV) would otherwise be required to contribute to the relevant Fund for portfolio investments. The limited partners of the relevant Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution for portfolio investments that would otherwise be required of such affiliates of the applicable General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver or reduction may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees may be significant. Due to waived or reduced Management Fees by a Management Company and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in a Fund, resulting in a net additional benefit to the Management Company, though amounts set aside for offsetting and not ultimately applied may be paid out to investors as investment proceeds.

Carried Interest

The General Partner of each current Fund is entitled to be allocated a carried interest with respect to such Fund equal to 20% of all profits after (i) an 8% compounded preferred return with respect to Fund III and Fund IV and (ii) a 9% compounded preferred return with respect to Fund I and Fund II, subject in each case to a General Partner catch-up provision with respect to the applicable preferred return as more fully described in the Partnership Agreement of the applicable Fund. Any amounts distributed to the General Partner in respect of previously-allocated carried interest is generally subject to a potential giveback at certain points during and at the end of the life of the relevant Fund if the General Partner has received excess cumulative distributions of any such carried interest amounts, subject to the terms of the applicable Partnership Agreement.

Other Information

LMI is permitted to exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or the allocation of all or a portion of any carried interest, including LMI and any other person designated by LMI. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by LMI and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where an LMI professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and allocation of carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, certain Advisers have the right to permit investors, affiliated with an Adviser or otherwise, to invest

through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

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

Principals or other current or former employees of Lincolnshire may receive salaries and other compensation derived from, and in certain cases including, a portion of the carried interest or certain other compensation received by Lincolnshire or its affiliates. The Management Fee will be used to cover the Advisers' operating expenses, including employee compensation.

Pursuant to the relevant Partnership Agreements, certain Lincolnshire in-house operating professionals who are seconded to or become interim bona fide employees of, or who in the ordinary course of business and on an arms'-length basis render services or are consultants to, the Funds' portfolio companies, may receive compensation and benefits for such services directly from the applicable portfolio companies, Lincolnshire, and/or Operational Improvements, LLC, a wholly-owned subsidiary of Lincolnshire formed on December 13, 2013. Such compensation and benefits do not reduce or offset management fees payable to the Advisers.

In addition to the Management Fee payable, and carried interest allocable, to the applicable Adviser, each Fund bears certain expenses to the extent not paid by its portfolio companies. Such fees and expenses are set forth in the relevant Partnership Agreement and may include, without limitation: (a) all costs, expenses and liabilities incurred in or attributable to evaluating, investigating, analyzing, negotiating, acquiring, holding and disposing of investments, whether consummated or unconsummated (including interest on money borrowed, travel expenses, finders or brokers fees and bank and custodial fees); (b) all legal, accounting, consulting, audit, filing and other fees and expenses, including the fees associated with the preparation of audited financial reports, tax returns and Schedules K-1; (c) legal fees and expenses, judgments, fines, damages or costs paid or incurred in prosecuting or defending administrative or legal proceedings brought by or against the Fund, the Advisers or any of their affiliates or portfolio companies (or paid in any settlement thereof); (d) extraordinary costs and expenses, including amounts paid or advanced by the Fund pursuant to its indemnification obligations; (e) expenses of any advisory committee of certain limited partners (the "**Advisory Committee**"); (f) costs of any retained valuation experts; (g) all out-of-pocket fees and expenses incurred in connection with any conference or meeting with the limited partners; (h) any taxes (including stamp duties and transfer taxes), fees or other governmental charges levied against the Fund; (i) premiums for insurance; (j) the costs of dissolving and winding up the Fund; and (k) all organizational expenses up to the expense cap specified in the Partnership Agreement.

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

In certain circumstances, one Fund may pay an expense common to multiple Funds (including, without limitation, legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While highly unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. LMI may also advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate. An Adviser may permit certain investors to co-invest in portfolio companies alongside one or more Funds. If a co-investment vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses associated with such proposed transactions (“**Broken Deal Expenses**”) will be borne by the Fund or Funds that were to have participated in such proposed transaction, and not by any potential co-investors. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle may bear its share of such Broken Deal Expenses.

The Advisers are responsible for all normal overhead expenses in connection with their day-to-day operations, including compensation for their employees and expenses for office space. Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.”

LMI and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and LMI and/or its affiliates on the other hand.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” Lincolnshire may receive a carried interest allocation on certain realized profits in the Funds. The Advisers do not currently advise any Funds not subject to a carried interest. However, with respect to Fund III and Fund IV, the relevant General Partner may exempt certain investors from all or a portion of carried interest through Funds that co-invest alongside such funds. Additionally, to the extent that Lincolnshire personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

Lincolnshire seeks to address the potential for conflicts of interest in these matters with allocation policies and/or practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Funds’ investment guidelines and governing agreements, as well as other factors that do not include the amount of performance-based compensation received by Lincolnshire or any personnel.

The existence of the carried interest allocation has the potential to create an incentive for Lincolnshire to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Lincolnshire generally considers the carried interest allocation to better align its interests with those of its investors.

TYPES OF CLIENTS

The Advisers provide investment advice to the Funds. The Funds are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, the Principals or other employees of the Advisers and their affiliates and members of their families or other service providers retained by the Advisers.

Each current Fund generally has a minimum investment of \$5 million for third-party investors with the exception of Fund IV, which generally has a minimum investment of \$10 million. All such minimum investment amounts may be waived by the applicable General Partner. Investors in the Funds must meet certain suitability and net worth qualifications prior to making an investment. Investors in LEF IV-A generally must be (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended and (ii) either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act. Interests in all other current Funds are offered and sold solely to certain sophisticated investors who are also accredited investors.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Lincolnshire is a private investment firm focused on control and control-oriented investments, including, leveraged acquisitions and recapitalizations and significant minority investments in middle-market companies believed to benefit from Lincolnshire’s in-house operating professionals and experience. The Advisers’ investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are predominantly in non-public companies although investments in public companies are permitted.

The Advisers’ investment strategy for the current Funds focuses on control-oriented investment opportunities in companies with enterprise values typically ranging from \$50 million to \$350 million. The Advisers have a value-driven investment approach, targeting fundamentally sound businesses with strong potential for significant improvements in operations and corporate growth. The Advisers believe that by applying their resources and actively working with management post investment, the Advisers can build substantial value in these businesses.

The following is a summary of the investment strategies and methods of analysis generally employed by the Advisers on behalf of the current Funds. More detailed descriptions of the Funds’

investment strategies and methods of analysis are included in the applicable private placement memorandum and Partnership Agreement for each Fund. *There can be no assurance that the Advisers will achieve the investment objectives of the Funds, and a loss of investment may be possible.*

Investment and Operating Strategy

Focus on Small and Middle-Market Companies. The Funds will generally pursue businesses in the lower-to-mid range of the middle market, with revenue ranging from \$50 million to \$500 million and operating cash flows of \$10 million to \$50 million. The focus on businesses of this size has the benefit of limited competition from financial buyers, as the Advisers believe there are relatively few competitors that can source deals consistently on a non-auction basis. Furthermore, unlike financial buyers focused on mainstream industries, the Advisers intend to continue to devote resources to examining a wide variety of industries, including niche sectors. The Advisers believe that in order to effectively pursue a value-oriented strategy, the Funds are better served by a broad approach when sourcing companies with attractive features. The Advisers will seek investments for the Funds that the Advisers believe generally have one or more of the following characteristics: (i) businesses that are fundamentally sound with the potential to improve both revenue and profit; (ii) companies operating in niche businesses or out-of-favor sectors; (iii) businesses that are orphaned divisions of larger companies; and (iv) businesses that involve transactional complexities that obscure value from the view of traditional buyers.

Systematic Approach to Deal Sourcing. The Advisers take a proactive approach to deal origination, preferring to develop both proprietary and less competitive situations. Lincolnshire's deal-sourcing team (the "**Origination Team**") manages a systematic calling effort geared toward traditional intermediaries and other deal sources, collectively maintaining a network of over 2,600 active contacts specializing in small and middle-market deals. The Advisers believe the Origination Team has cultivated effective and loyal relationships with its transaction sources over its long tenure and that Lincolnshire has demonstrated to its transaction sources a long history of closing transactions. The Advisers believe both of these factors enhance their credibility among potential sellers and their intermediaries. The Advisers further believe Lincolnshire's deal sourcing efforts benefit the Funds as follows: (i) enabling the Funds to achieve improved pricing on deals by avoiding highly competitive auction processes; (ii) allowing the Advisers to conduct enhanced due diligence by avoiding the time-intensive process and constraints of a traditional auction; and (iii) allowing the Advisers to develop a robust post-acquisition plan well before a transaction is complete.

Control Investments with Flexible Transaction Structures. The Advisers are principally focused on control-oriented investments and significant minority investments and aim to build value through active involvement in the management of portfolio companies. The Advisers believe that this position of control over portfolio companies, combined with the experience of their investment team, enables the Advisers to effectively manage investments. This approach also typically enables the Advisers to determine the time and manner in which to exit an investment, something that the Advisers believe is as important as the original investment decision. The Funds typically own more than 50% of the common equity of their portfolio companies, but the Advisers seek to be flexible in taking advantage of attractive investment opportunities and structuring transactions in a manner that fulfills the objectives of all parties involved, including those of the

seller, lenders and management teams. The Advisers believe that creating appropriate equity incentives for their management teams helps to align the objectives of all parties and is critical to each investment's success. Management teams are strongly encouraged to invest their own capital, over and above any equity incentive structures in order to further align interests.

Active Approach to Post-Acquisition Value Building. The Advisers seek to ensure that portfolio companies develop the sustainable competitive advantages necessary to support long-term growth and profitability. Accordingly, during the diligence phase, the Advisers work with management to thoroughly assess the quality of the management team and business infrastructure, including the information systems, controls, policies and procedures, in order to develop capabilities to a "best practices" level. Post acquisition, the Advisers seek to enhance portfolio companies through a range of strategic initiatives. Such strategies may include: entering new markets, introducing new products, expanding distribution channels, upgrading machinery and equipment, and employing accretive mergers and acquisitions solutions. In addition, where prudent, the Advisers seek to rationalize operations and reduce overhead to improve profitability. Lincolnshire not only focuses on augmenting a management team's skills, but also the taking a hands-on approach, when necessary, to the operational and strategic management of its portfolio companies. The Advisers focus on determining whether a company has the requisite management expertise to improve operations and grow the business. If these skills are lacking, the Advisers or portfolio companies may retain outside executives to supplement management, often including a chief financial officer, as well as specialists in sales, marketing and other areas.

Operational Approach to Internal Growth and Complementary Acquisitions. The Advisers focus on improving the top-line growth and profitability of portfolio companies. Multiple senior members of Lincolnshire are dedicated primarily to portfolio company operations, having spent many years in various operations, finance and consulting positions. Post acquisition, the Advisers intend to work with management on numerous initiatives to add direct value to the portfolio companies, including implementing proactive sales and marketing efforts, maximizing profit margins through direct and indirect price increases to customers, identifying and acquiring complementary acquisitions (including integration of such acquisitions), strategic sourcing to reduce costs or lessen vendor dependency, sales channel expansion, new product development, implementing key performance indicators for daily/weekly/monthly monitoring and improving financial reporting used for management analysis.

Investment Exit. Although the Funds typically buy companies on a direct and non-auction basis, the Advisers generally retain and work closely with investment banking firms to manage the process of realizing portfolio investments. The Advisers analyze exit opportunities for Fund portfolio investments during the acquisition process and continually review such opportunities once the investment has been completed. Such reviews assess: (i) the impact of value-enhancing strategic initiatives that have been implemented during the Funds' period of ownership; (ii) expected future value growth from such initiatives; and (iii) current market conditions. Consistent with historical performance, the Advisers expect to continue to focus on realizing Fund portfolio investments for cash through a sale to a strategic or financial buyer as the Advisers believe that public offerings are not the best method for realizing investments in the lower-middle market.

Risks of Investment

A Fund and its investors bear the risk of loss that the applicable Adviser's investment strategy entails. The risks involved with an Adviser's investment strategy and an investment in a Fund are detailed in such Fund's private placement memorandum. In general, the risks applicable to each Fund and the activities of its related General Partner, Management Companies and LMI include, but are not limited to:

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

Concentration of Investments. A Fund may participate in only a limited number of investments and may seek to make several investments in a limited number of industries or industry segments. Further, the types of investments that a Fund may make are subject to certain limitations contained in such Fund's Partnership Agreement. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few investments may substantially affect its aggregate return.

Lack of Sufficient Investment Opportunities. It is possible that a Fund will never be fully invested if enough attractive investments are not identified and ultimately procured. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. A Fund will be competing for investment opportunities with other groups, including other private equity pooled-investment vehicles, direct investment firms and merchant banks and such Fund may be unable to identify a sufficient number of attractive investment opportunities for the Fund to meet its investment objectives. However, limited partners will be required to pay their *pro rata* portion of annual Management Fees during the investment period based on Commitments.

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

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. A climate of uncertainty may reduce the availability of potential investment opportunities and may increase the difficulty of modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the portfolio companies in which a Fund makes investments.

Reliance on the Portfolio Company Management. Although Lincolnshire will monitor the performance of each Fund's investments, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although each Fund generally intends to invest in companies with strong management or recruit strong management to such portfolio companies, there can be no assurance that the existing or recruited management of such companies will operate a company successfully.

Projections. Projected operating results of a portfolio company in which a Fund invests normally will be based primarily on financial projections prepared by each such company's management. In all cases, projections are only estimates of future results that are based upon information received from the portfolio company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from such projections. Also, general economic factors (which are not predictable and are completely outside the control of the Advisers and their employees and affiliates) can have a material effect on the reliability of projections.

Leveraged Investments. A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are unfavorable, it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on the borrower, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments, without limitation, to any deterioration in such companies' condition or industry, competitive pressures, an adverse economic environment or rising interest rates. Furthermore, should the credit markets be unfavorable at the time a Fund determines that it is desirable to sell all or a portion of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund will invest generally will not be rated by a credit rating agency.

Subscription Lines. A Fund may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, any limited partner claim against a Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors if such Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Partnership Agreement, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than a Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation.

A credit agreement may contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited

partner's interest in the Fund. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If a Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

Need for Add-On Investments. Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that a Fund will make follow on investments or that such Fund will have sufficient funds available to it to make all or any of such investments. Any decision by a Fund not to make follow on investments or any limitation or inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Fund to increase its participation in a successful operation.

Non-U.S. Investments. A Fund may invest a portion of the aggregate capital commitments of such Fund in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction.

Risks Upon Disposition of Investments. In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent

liabilities, which might ultimately have to be funded by the limited partners to the extent of their unfunded Commitments or by recall of distributions.

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

Lack of Unilateral Control. Even if a Fund 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 a Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, the relevant portfolio companies 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 the Fund or its limited partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and a Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

Recourse to the Fund's Assets. A Fund's assets, including any investments and any funds held by such Fund, are available to satisfy all liabilities and other obligations of such Fund. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to such Fund's assets generally and not be limited to the particular investment giving rise to the liability.

Borrowings by the Fund. Each Fund is permitted to borrow, subject to certain limitations set forth in the Partnership Agreement, including to fund investments prior to the receipt of a capital contribution pursuant to a capital call notice. Under credit agreements that a Fund may enter into for such purpose, capital commitments may be pledged to the lender to secure such loans and in the event obligations thereunder are not met, lenders may proceed to satisfy any such liability against the assets of the Fund, including by issuing capital call notices to the Fund's limited partners up to the amount of any unfunded capital commitments.

Valuation of Investments. Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will not be publically traded and not quoted on any exchange. Each General Partner will determine the value of all the Fund's investments that are not readily marketable in accordance with the Fund's Partnership Agreement. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual

disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which portfolio companies are subject, particularly portfolio companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at LMI or one of its service providers holding its financial or investor data, LMI, its affiliates or the Funds may also be at risk of loss.

Conflicts of Interest

Lincolnshire and its related entities engage in a broad range of advisory and non-advisory activities. In the ordinary course of Lincolnshire conducting its activities, the interests of a Fund may conflict with the interests of Lincolnshire, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, LMI will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the investment period of a given Fund, the Principals generally pursue all appropriate investment opportunities within the Fund's mandate exclusively through such Fund, subject to certain exceptions. However, the Principals will typically manage several other Funds and investments similar to those in which a given Fund invests, and may direct certain relevant investment opportunities to those Funds and investments rather than to such Fund, subject to various restrictions contained in the Partnership Agreement. The Principals and the Advisers' investment staff will continue to manage and monitor such Funds and investments. Lincolnshire believes that the significant investment of the Principals in each Fund, as well as the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the limited partners in a given Fund, although the Principals have economic interests in such other Funds and investments as well and receive management fees and payments in respect of carried interest relating to these other interests. Such other Funds and investments that the Principals may control or manage may compete with one of the Funds or companies acquired by a given Fund. Following the investment period of a Fund, the Principals may and likely will focus their investment activities on other opportunities and areas that may or may not be related to the Fund's investments.

From time to time, the Principals will be presented with investment opportunities that would be suitable not only for a given Fund, but also for other Funds operated by Lincolnshire. In determining which investment vehicles should participate in such investment opportunities, the

Advisers and their affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Partnership Agreements, Lincolnshire is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of Lincolnshire in a portfolio company may also raise the risk of using assets of a client of Lincolnshire to support positions taken by other clients of Lincolnshire.

Lincolnshire must first determine which Fund(s) will participate in the relevant investment opportunity. Lincolnshire generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant Fund's Partnership Agreement, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life-cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by Lincolnshire in the manner set forth in the relevant Partnership Agreements and Lincolnshire's policies and procedures. Lincolnshire will determine the allocation of investment opportunities among the Funds in a manner that it believes is fair and equitable consistent with Lincolnshire's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among the Funds, Lincolnshire will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Partnership Agreements, side letters and Lincolnshire's procedures regarding allocation. Lincolnshire's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Lincolnshire's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair Lincolnshire's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether Lincolnshire believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds, and/or Lincolnshire. Although a prospective co-investor's willingness to invest in future Funds may be considered by Lincolnshire, it will not be the sole determining factor considered by Lincolnshire in identifying co-investors. Lincolnshire may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by Lincolnshire or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Lincolnshire investors, and the consideration of the factors set forth above may result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments may receive none. When and to the extent that employees and related persons of Lincolnshire make capital investments in or alongside certain Funds, Lincolnshire and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Lincolnshire's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While Lincolnshire will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which Lincolnshire may be subject, discussed herein, did not exist.

In certain cases, Lincolnshire will have opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Lincolnshire will use its discretion to select such transferees based on suitability and other factors including, without limitation, factors similar to those employed in selecting co-investors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Where multiple Funds invest at the same, different or overlapping levels of a 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 Funds that have invested in different securities 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, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by Lincolnshire in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, Lincolnshire may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering,

or seeking to reinforce, these agreements, Lincolnshire may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. In certain circumstances Funds may be prohibited from exercising (or Lincolnshire 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 Fund or the other may be subject to creditor claims regarding subordination of interests. Lincolnshire intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund 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 Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Lincolnshire 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 Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, Lincolnshire will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Lincolnshire may be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Lincolnshire or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Lincolnshire. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' interests in certain portfolio companies, the Advisers typically have the right to appoint board members for such entities, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, board members of a portfolio company approve compensation and/or other amounts payable to the

Advisers. Such amounts will be in addition to any Management Fees paid or carried interest allocated by a Fund to the Advisers.

Additionally, such portfolio company typically will reimburse the Advisers or service providers retained at the Advisers' discretion for expenses (including without limitation travel expenses) incurred by the Advisers or such service providers in connection with its performance of services for such company. This may subject an Adviser to a conflict of interest where such Adviser has the discretion to allocate expenses amongst the Adviser and the company, and the Funds generally do not have an interest or share in these reimbursements, which may be substantial. The Advisers determine the amount of these reimbursements for such services in good faith. Any fee paid or expense reimbursed to the Advisers or such service providers generally can be subject to: agreements with sellers, buyers and management teams; the review and supervision of the board 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.

The Advisers generally exercise discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) the Advisers or a related person of the Advisers (which may include a portfolio company of such Fund), (ii) an entity with which the Advisers or their (current or former) personnel have a relationship or from which the Advisers or their personnel otherwise derive financial or other benefit or (iii) certain limited partners or their affiliates. This discretion subjects the Advisers to conflicts of interest, because although the Advisers select service providers that they believe are aligned with operational strategies and will enhance or support portfolio company performance and, relatedly, returns of the relevant Fund, the Advisers may have an incentive to recommend the related or other person (including a limited partner) because of their financial or other business interest. There is a possibility that the Advisers, 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 Funds or Lincolnshire), 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 the Advisers have a relationship or receive 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.

Although uncommon, from time to time the Advisers may cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Private Investments Funds managed by the Advisers, or co-investors or co-investment vehicles. Such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. 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 transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' limited partnership agreements or otherwise in the sole discretion of the Advisers, the Advisers may seek to mitigate such conflicts by seeking 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) or by obtaining the consent of the relevant Fund(s) (including, where

authorized, the consent of each Fund's advisory board) to such transactions. In certain circumstances, the Advisers 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 Fund under then-current market conditions. The Advisers intend that any such transactions be conducted in a manner that they believe in good faith to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Although the Advisers generally structure Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In each such case, the Advisers intend to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Funds undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

The Advisers may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds; conversely, current or former personnel or executives of the Advisers may serve in significant management roles at portfolio companies or service providers recommended by the Advisers. Similarly, the Advisers and/or their personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks and brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Advisers and/or the Funds. The Advisers may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide the Advisers information about markets and industries in which the Advisers operate (or are contemplating operations) or will provide other services that are beneficial to the Advisers. The Advisers may have a conflict of interest in making such recommendations, in that the Advisers have an incentive to maintain goodwill between the Advisers and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Advisers, are reimbursed by a Fund and/or its portfolio companies, the Advisers may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

In addition, as described above, portfolio companies, Lincolnshire, and/or Operational Improvements typically pay certain fees or other compensation to Lincolnshire personnel and other

third party consultants (including consultants introduced or arranged by the Advisers that may regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Although the use of Lincolnshire personnel and the allocation of compensation paid to them by Lincolnshire, its affiliates and/or the portfolio companies may subject the Advisers to potential conflicts of interest, the Advisers believe that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Lincolnshire personnel is lower than market rates for the services provided and/or if the quality of the services of such personnel makes a greater contribution to the success of the portfolio company. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold. Employees may or may not return to Lincolnshire at the end of such secondee arrangement.

Because the Advisers' carried interest is based on a percentage of net realized profits, it may create an incentive for the Advisers to cause a Fund to make riskier or more speculative investments (or hold investments for longer periods) than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when the Advisers may not otherwise have done so. Since the Advisers are permitted to retain certain Offset Fees (as described under "Fees and Compensation") in connection with Fund investments, the Advisers could have a conflict of interest in connection with approving transactions and setting such compensation.

The Advisers may enter into side letter arrangements with certain investors in a Fund, providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Any of these situations subjects the Advisers to potential conflicts of interest. The Advisers will attempt to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by the Advisers to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the Funds in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the Advisers will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, the Advisers consult and receive consent to conflicts from the Advisory Committee.

DISCIPLINARY INFORMATION

Without admitting or denying the SEC's findings, LMI consented to the entry of a Settlement Order, entered by the Securities and Exchange Commission on September 22, 2014 (the "**Settlement Order**"), which included a finding that it violated Sections 206(2) and 206(4) and Rule 206(4)-7 of the Advisers Act. LMI had integrated two portfolio companies, each owned by different LMI-advised funds, and managed them as one company. As part of this integration, the companies utilized a joint management team and developed an expense allocation policy that required each portfolio company to pay a certain percentage of various shared operating and

administrative expenses. While generally the shared expenses were properly allocated and documented, the Settlement Order included a finding that in certain instances a portion of the shared expenses were misallocated and went undocumented, which resulted in one portfolio company paying more than its share of expenses that benefitted both companies. The Settlement Order further found that LMI failed to adopt and implement written policies and procedures, at the adviser level, reasonably designed to prevent violations of the Advisers Act arising from integrating two portfolio companies owned by separately advised LMI private equity funds. There were no findings or allegations in the Settlement Order of intentional misconduct or recklessness on the part of LMI. As noted in the Settlement Order, a violation of Section 206(2) may rest on a finding of simple negligence. A copy of the Settlement Order is available on the SEC's website at www.sec.gov.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

LMI is affiliated with the following Lincolnshire investment advisers:

- Lincolnshire Equity Partners II, L.P. (general partner to Fund II);
- Lincolnshire Equity Partners III, L.P. (general partner to Fund III);
- Lincolnshire Equity Partners IV, L.P. (general partner to Fund IV);
- Lincolnshire Management, L.P. (management company to Fund III); and
- Lincolnshire Management IV, L.P. (management company to Fund IV).

Each of these General Partners and Management Companies are deemed registered with the SEC under the Advisers Act pursuant to LMI's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with LMI and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions. The Management Companies provide advisory services to Fund III and Fund IV, as applicable, pursuant to management agreements. LMI provides advisory services directly to Fund II and to the General Partners and the Management Companies of Fund III and Fund IV pursuant to advisory agreements.

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

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

- report their personal securities transactions;
- pre-clear any proposed purchase of any initial public offering or limited offering; and

- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any client or prospective client upon request to Kevin Nappi, the Lincolnshire Chief Compliance Officer, at (212) 319-3633. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client-eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers. Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Lincolnshire personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies of a Fund. Co-invest opportunities may also be presented to third party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

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

From time to time, Lincolnshire may borrow funds on behalf of a Fund and contribute such borrowed amounts to the relevant Fund as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant Fund as a Fund expense, consistent with the applicable Partnership Agreement (or other governing document) and the expense policy described under "Fees and Compensation." In borrowing on behalf of a Fund, Lincolnshire is subject to conflicts of interest between repaying their obligations and retaining such borrowed amounts for the benefit of the Fund and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. It is expected that the costs relating to the establishment

and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

Lincolnshire will effect such borrowings in a manner that they believe to be fair and equitable to the relevant Fund and consistent with Lincolnshire's obligations to the Fund under the Partnership Agreement (or other governing document).

Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above.

The Advisers or their affiliates may recommend the purchase or sale of securities for Funds in which one or more of their partners, members, officers, directors, employees (and members of their families) or affiliates ("**affiliated persons**"), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the Funds. Certain of these transactions may require the consent of the applicable Fund.

BROKERAGE PRACTICES

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

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

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

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

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time.

The Advisers do not anticipate engaging in frequent public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of the Advisers is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Funds over time.

In Lincolnshire’s private company securities transactions on behalf of the Funds, Lincolnshire may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, Lincolnshire may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although Lincolnshire generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of

securities. However, the Advisers closely monitor companies in which the Funds invest, and the Lincolnshire Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

The Funds will provide to their limited partners (i) audited annual financial report of such Fund and valuations of such Fund's investments generally within 90 days after the conclusion of its fiscal year, subject to exceptions permitted under the Partnership Agreement and (ii) with respect to Fund III and Fund IV, an unaudited financial report and a summary of significant activities of such Fund and its investments within 45 days following the conclusion of each of the first three fiscal quarters of each fiscal year of such Fund.

CLIENT REFERRALS AND OTHER COMPENSATION

The Advisers and/or affiliates may provide certain business or consulting services to companies in the Funds' portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Fund's Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Funds. However, in other cases (e.g., reimbursements for out of pocket expenses related to a portfolio company), these fees would be in addition to Management Fees. See "Fees and Compensation."

From time to time, the Advisers may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents will be borne by the Advisers indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

CUSTODY

The Advisers maintain custody of the Funds' assets held in the Funds' names with the following qualified custodians:

- Wells Fargo Bank, N.A.; and
- Wells Fargo Institutional Retirement and Trust.

INVESTMENT DISCRETION

The Advisers have discretionary authority to manage investments on behalf of the applicable Fund. As a general policy, the Advisers do not allow limited partners to place limitations on this authority, provided that the Partnership Agreement of a Fund may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the Partnership Agreement, however, an Adviser may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Advisers assume this discretionary authority

pursuant to the terms of (i) the Partnership Agreement and (ii) powers of attorney executed by the limited partners of each Fund.

VOTING CLIENT SECURITIES

The Advisers have adopted the Lincolnshire Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for the Funds’ portfolio investments. The majority of “proxies” received by the Advisers will be written shareholder consents (or similar instruments) for private companies, although the Advisers may also receive traditional proxies from public companies from time to time. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Funds’ investors through the Principals’ beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of any Advisory Committee, on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Lincolnshire personnel or the Advisers’ receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. A limited partner of a Fund may obtain a copy, free of charge, of Lincolnshire’s complete Proxy Policy and information regarding how the Advisers voted proxies for particular portfolio companies by contacting Kevin Nappi, the Lincolnshire Chief Compliance Officer, at (212) 319-3633.

FINANCIAL INFORMATION

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