

Item 1. Cover Page

**Brochure of
LFL Advisers, LLC**

**1560 Sherman Avenue, Suite 530
Evanston, Illinois 60201**

Telephone: (847) 868-8750

March 30, 2022

LFL Advisers, LLC is an investment adviser that is registered with the U.S. Securities and Exchange Commission. Registration with the U.S. Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of LFL Advisers, LLC ("LFL Advisers" or "the firm"). If you have any questions about the contents of this brochure, please contact LFL Advisers at (847) 868-8750 or plewis@lfladv.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Item 2. Material Changes

The prior version of this brochure was dated 3/30/2021. There are no material changes since the last update of the brochure; the Firm's clients, investment approach, fees, and brokerage, custody, and proxy voting practices have not significantly changed. In Item 4, gross assets under management has been updated.

Item 3. Table of Contents

Item 1. Cover Page	1
Item 2. Material Changes	2
Item 3. Table of Contents	2
Item 4. Advisory Business	2
Item 5. Fees and Compensation	3
Item 6. Performance-Based Fees and Side-By-Side Management	5
Item 7. Types of Clients	6
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9. Disciplinary Information	11
Item 10. Other Financial Industry Activities and Affiliations	11
Item 11. Code of Ethics, Participation or Interest in Client Transactions & Personal Trading	12
Item 12. Brokerage Practices	13
Item 13. Review of Accounts	15
Item 14. Client Referrals and Other Compensation	16
Item 15. Custody	16
Item 16. Investment Discretion	16
Item 17. Voting Client Securities	17
Item 18. Financial Information	18
Item 19. Requirements for State-Registered Advisers	18

Item 4. Advisory Business

LFL Advisers, LLC ("LFL Advisers" or "the firm") is a Delaware limited liability company that was formed in 2005. Its principal place of business is Evanston, Illinois. It serves as the general partner of LFL Partners, L.P., a U.S. investment limited partnership ("LFL Partners", the "investment fund", or the "fund"). LFL Advisers also manages a separate account for a US-based institutional investor.

Peter C. Lewis is the owner and manager of LFL Advisers and the portfolio manager. As of December 31, 2021, LFL Advisers had total discretionary gross assets under management of approximately \$396,572,000. LFL Advisers only manages assets on a discretionary basis.

LFL Advisers invests on behalf of its clients primarily in long positions in publicly traded U.S. and non-U.S. common stocks but is authorized to enter into any type of investment transaction that it deems appropriate, provided that it is consistent with the terms of the client's partnership or separate account agreement. Accordingly, client accounts may also be invested in private securities, preferred stocks, warrants and rights, corporate debt, bonds, notes or other debentures, convertible securities, "short" equity positions, options, futures, commodities, forward and other derivative instruments, partnership interests and other securities or financial instruments including mutual funds.

The investors in the fund and the separate account that LFL Advisers manages have no opportunity to select or evaluate any fund investments or strategies. LFL Advisers selects all investments. For any client or prospective client of LFL Advisers or any investor or prospective investor in the fund, it is important that they closely review the applicable offering document or investment management agreement with respect to, among other things, the terms, conditions and risks of investing.

LFL Advisers typically does not tailor its services to the needs of any separate account but may agree to comply with certain restrictions on investing as set forth by the account. LFL Advisers' discretionary authority is limited, however, as described in Item 16.

Item 5. Fees and Compensation

LFL Advisers typically receives compensation from its clients based on the percentage of assets it manages and by receiving performance-based compensation.

LFL Advisers' compensation is negotiable and varies, but its standard annual management fee is 1% of assets under management, which amount is payable in quarterly installments at the beginning of each calendar quarter based on the net market value of each client's account on the date the fee accrues and becomes payable. LFL Advisers may waive all or part of the management fee for any client in any quarter.

LFL Advisers also is typically entitled, from each investor in its investment partnership client (the fund, LFL Partners, L.P.) or in a separate account, to an incentive allocation or fee of 15% of the amount by which net profits or net losses (including both realized and unrealized gains and losses) otherwise allocable to such investor exceed a 6% hurdle return, subject to a high-water mark provision. Incentive allocations and fees are assessed only to the extent that cumulative net losses previously allocated to or incurred by investors and clients have been offset by subsequent net profits, and to the extent that any cumulative underperformance of the benchmark has been made up by subsequent overperformance. Incentive allocations are assessed in arrears on an annual basis and upon withdrawals from client accounts. LFL Advisers complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent required by applicable law. Incentive allocations and fees may create an incentive for LFL Advisers to make more risky and speculative investments than it would otherwise make.

LFL Advisers deducts fees directly from its investment partnership client (the fund, LFL Partners, L.P.). Per its investment management agreement, it may deduct fees directly from its separate account or bill the separate account for such amounts. Asset-based fees are deducted or due on a quarterly basis, at the beginning of each quarter.

LFL Advisers believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

Although the foregoing is a brief summary of the management fee and incentive compensation arrangements applicable to LFL Advisers' clients, please note that this is a brief summary and it is not a substitute for the detailed terms provided in the offering documents, organizational agreements or managed account agreements of LFL Advisers' clients.

LFL Advisers' relationship with its investment partnership client, LFL Partners, L.P., is terminable upon the dissolution of any partnership or LFL Advisers' withdrawal as its general partner. There are significant restrictions on a limited partner's ability to transfer or redeem interests in the partnership, LFL Partners, L.P. Generally, a limited partner may withdraw all or a part of its capital account balance as of any December 31 if it notifies the general partner in writing on or before the immediately preceding September 30. If a limited partner is permitted to withdraw capital on a date other than the last day of a fiscal quarter, that limited partner shall not receive a refund of any management fee paid in advance.

LFL Advisers' investment management agreement with its separate account client is terminable by either party for cause immediately, or by either party without cause by written notice to the other party, effective thirty days after receipt of such notice by the addressee or such later date as may be specified in such notice. If the client withdraws all assets from the Account, whether on termination of this Agreement or otherwise, on any date other than the last day of a calendar quarter, the Asset Based Fee previously paid with respect to that calendar quarter shall be prorated based on the number of days elapsed in that quarter prior to the withdrawal. LFL Advisers will promptly refund the unearned portion to the client.

Expenses

The expenses paid by clients are set forth in detail in the offering document or investment management agreement of the relevant client. Such expenses may differ among and between clients. Thus, although the following is a summary of expenses LFL Advisers' clients will generally bear, it is not an exhaustive or complete list with respect to all clients. Investors and prospective investors and clients and prospective clients should therefore review the offering document or investment management agreement carefully because such documents, and not this brochure summary, describe the exact expenses such client will bear.

Each client account is responsible for its own costs and expenses, including:

- legal, accounting, auditing and other professional expenses,
- fund administration expenses,

- all trading costs and investment expenses (such as brokerage commissions, expenses related to short sales, interest on margin borrowing or account-related loans, option premiums, and clearing and settlement charges),
- taxes (including income withholding taxes, transfer taxes, and other governmental charges and duties),
- custody-related expenses and custodial fees,
- charges of clearing agencies and banks, fund administration expenses (such as professional fees of the fund administrator),
- insurance policies that LFL Advisers considers appropriate (insuring LFL Advisers and its affiliates against liabilities that may arise in connection with the business or management of client accounts),
- proxy-voting services,
- costs associated with registering restricted securities,
- other expenses related to the purchase, sale or transmittal of the account's assets, and
- any contingencies or extraordinary expenses that LFL Advisers determines reserves are required.

However, LFL Advisers may, at its discretion, elect to assume certain of these costs for client accounts as it deems appropriate. When assuming such costs, LFL Advisers, to the extent reasonably practicable, attempts to assume these expenses for each of its clients on similar terms or to assume costs for items that may benefit all clients. (For example, LFL Advisers has elected to assume the cost of a professional liability insurance policy, rather than charging this expense to its client accounts.) Other than the expenses described above, LFL Advisers bears its own operating, general, research, administrative and overhead costs and expenses.

LFL Advisers does not receive any transaction-based compensation for the sale of securities or other investment products.

A description of the brokerage and other transaction costs that will be borne by LFL Advisers' clients is in Item 12 (Brokerage Practices) of this brochure.

Item 6. Performance-Based Fees and Side-By-Side Management

As discussed in Item 5 above, LFL Advisers receives part of its compensation from each client in the form of performance-based compensation. The performance-based fees may create an incentive for LFL Advisers to make riskier and more speculative investments than it would otherwise make.

All of LFL Advisers' clients and investors (except the manager and related persons of LFL Advisers and their immediate families) pay performance-based compensation on similar terms. LFL Advisers has a conflict of interest if, in any time period, the fee structure for one client would cause higher fees to LFL Advisers than the fee structure for another client. For example, LFL Advisers could have an incentive to allocate the highest-profitability trades to the highest-fee-paying accounts. Because all of LFL Advisers' current clients pay equivalent performance fees, such conflicts are expected to be uncommon. However, to the extent that timing differences between the funding of accounts create differing returns relative to their hurdles and a potential incentive to favor one account over another, LFL Advisers typically addresses this conflict by

allocating the investment opportunities within each strategy on a pro rata basis (to the extent reasonably practicable), based on each account's assets, to the extent a particular investment is suitable for each client and consistent with the account's investment objectives. Notwithstanding the foregoing, LFL Advisers may, at its absolute discretion, purchase different securities for different accounts. As described in Item 11, LFL Advisers is not obligated to acquire for any client account any security that LFL Advisers may acquire for the account of any other client.

Item 7. Types of Clients

LFL Advisers' clients generally include pooled investment vehicles and separate accounts. Investors may generally include high-net-worth individuals, institutions, trusts, foundations, endowments and public and private pension plans.

Currently, LFL Advisers provides investment advisory services to a pooled investment vehicle operating as a private investment fund and to a separate account. Investors in the investment fund are generally required to invest a minimum of \$1,000,000, but LFL Partners may waive this minimum. LFL Advisers generally requires a minimum of \$50,000,000 to open a separate (or individually managed) account but may waive this minimum. The investors in the fund generally consist of one or more family partnerships, institutional investors, and high-net worth individuals.

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

The descriptions set forth in this brochure of specific advisory services that LFL Advisers offers to clients, particular investment strategies pursued, and the investments generally made on behalf of LFL Advisers' clients should not be understood to limit in any way the firm's investment activities.

Investment Strategy

- LFL Advisers' investment approach is fundamental, relying on in-depth quantitative and qualitative analysis and field research.
- LFL Advisers' investment objective is to provide attractive absolute returns, while minimizing the risk of permanent loss of capital, and generate long-term compound annual returns on capital that exceed the returns available from investing in broad market indexes, specifically the S&P 500.
- LFL Advisers generally focuses on companies that have high returns and sustainable competitive advantages. LFL Advisers also seeks to invest in companies with high-quality management teams that think and act like owners, deploy capital intelligently and concentrate on enhancing long-term shareholder value.
- LFL Advisers typically invests in a company only when it believes it is purchasing the company's stock at a discount to LFL Advisers' estimate of intrinsic value.

- LFL Advisers seeks to reduce the risk of permanent capital loss and increase the odds of achieving out-performance by concentrating investments in a handful of companies. Depending on market opportunities, LFL Advisers expects that client accounts generally will own fewer than 30 security positions at any given time and may own as few as 4.

The investment strategies summarized above represent LFL Advisers' current intentions, are general in nature and are not exhaustive. There are no limits on the types of securities in which LFL Advisers may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. LFL Advisers may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, LFL Advisers may pursue any objectives or use any techniques that it considers appropriate and in its clients' interest.

Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that clients and investors should consider before investing in any investment fund or account that LFL Advisers manages. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account and could cause clients and investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or an investor may encounter. Potential investors in a fund and clients for separately managed accounts should review such fund's explanatory memorandum or offering memorandum carefully and, in its entirety, and consult with their professional advisers before deciding whether to invest. The risks described below also generally apply to any separate account. A potential client or investor should discuss with LFL Advisers' representatives any questions that such person may have before opening an account.

- The success of LFL Advisers' clients depends on the ability of the firm, particularly Peter Lewis who is the sole portfolio manager, to develop and implement investment strategies and achieve its clients' objectives. If LFL Advisers' clients were to lose the services of Mr. Lewis, the consequences would be material and adverse and could lead to, for example, the dissolution of LFL Advisers and the liquidation and dissolution of LFL Partners.
- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Public investor sentiment on the market, an industry, an individual stock, or a fixed income or other security is not predictable and can adversely affect a client's investments.
- A client may hold shares of companies whose earnings expectations are disappointing, and the prices of those shares may decline.
- LFL Advisers may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. The firm may also receive material,

non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.

- Each client's investments are typically concentrated in a few positions and therefore not diversified. Therefore, a loss in any one position, industry or sector in which a client account has invested may cause significant losses.
- LFL Advisers may acquire for a client a large position in an issuer's securities but the client nevertheless is unlikely to have any control over the issuer's management. In addition, if LFL Advisers holds a large position in an issuer's securities, it could depress the market for those securities.
- LFL Advisers may acquire for a client positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- LFL Advisers may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. LFL Advisers is not obligated to hedge a client's portfolio positions, and it frequently may not do so.
- LFL Advisers may sell securities short, which could result in unlimited losses if the prices of the securities sold short increase.
- Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. LFL Advisers could be subject to such actions, even if they are baseless, and clients could incur substantial costs defending them.
- LFL Advisers may use leverage by borrowing on margin, selling securities short and trading derivatives, which increases volatility and risk of loss. Derivative instruments can be difficult to value. An incorrect valuation could result in losses.
- LFL Advisers may cause a client to enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- LFL Advisers may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- LFL Advisers may invest in companies involved in acquisitions, tender offers, workouts, liquidations, reorganizations, bankruptcies and similar special situations. The timing, success and financial outcome of such transactions are uncertain and depend on numerous factors about which LFL Advisers may not have complete information. If an anticipated transaction does not occur or does not occur in the manner contemplated by the firm, clients could incur substantial losses.
- LFL Advisers may cause clients to invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the

country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.

- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to clients.
- Some of a client's positions may be or may become illiquid, in which case LFL Advisers may not be able to sell such positions.
- A client may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly traded securities and may never become publicly traded.
- If a public market does not exist for securities held in client accounts, LFL Advisers will use an independent third party, along with the clients' administrator, to determine their value, which may or may not reflect actual market value.
- If the valuation is inaccurate, LFL Advisers might receive more compensation than that to which it is entitled, a new investor in a fund might receive an interest that is worth less than the investor paid and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- Counterparties such as brokers, dealers, custodians and administrators with which LFL Advisers does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- LFL Advisers and its affiliates and agents generally are not responsible to any client or investor in a fund for losses incurred in an account unless the conduct resulting in such loss breached LFL Advisers' fiduciary duty to the client or investor.
- LFL Advisers and its service providers rely heavily on internal and third-party computer hardware and software, online services, data feeds, trading platforms, and other technology to conduct investment and trading activities, and trade settlement, operations and accounting processes. Disruptions to these systems or resources may make it difficult or impossible to implement LFL Advisers' investment strategy and could materially and adversely affect clients and investors. Examples of such circumstances include natural disasters, terrorism, cybersecurity attacks, public service or utility disruptions such as those caused by fires, floods, earthquakes, market trading halts, systems failures and other extraordinary events.
- Although LFL Advisers and its affiliates may employ various computer security measures, there can be no guarantee that they would be successful in fending off cybersecurity attacks from viruses, malware, computer hackers or other malicious corruption of their information technology systems. Cybersecurity disruptions may cause disruptions to business

operations, cause losses due to theft or other reasons, interfere with net asset value calculations, impede trading, or lead to violations of applicable privacy and other laws, regulatory fines and penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. LFL Advisers cannot control the cybersecurity plans and systems put in place by service providers and by the issuers in which its clients invest. Systems can and will be compromised. Any cybersecurity disruption could materially and adversely affect clients and investors.

- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that LFL Advisers must devote to regulatory compliance, to the detriment of its investment activities.
- There is not and will not be an active market for interests in LFL Advisers' investment fund client. It may be impossible to transfer any such interests, even in an emergency and any transfer requires approval of the general partner.
- A fund may not be able to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force LFL Advisers to liquidate investments too rapidly and may so reduce the size of a fund that it cannot generate returns or reduce losses.
- A fund may limit or suspend withdrawals or redemptions of an investor's assets from the fund under certain circumstances.
- A fund may establish a reserve for contingencies if LFL Advisers considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- The attorneys who represent LFL Advisers or its manager do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.
- A fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- LFL Advisers, an administrator, or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist and may transfer such assets to a government agency.
- None of LFL Advisers, its investment partnership client (the fund, LFL Partners, L.P.), or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- The fund presently does not intend to make distributions but intends instead to reinvest or retain substantially all income and gain. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.

- If the assets that LFL Advisers and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for LFL Advisers to find attractive investments as the amount of assets that it must invest increases.
- LFL Advisers is not registered with the SEC as a broker-dealer. The equity interests in its investment partnership client (the fund, LFL Partners, L.P.) are not registered under the Securities Act of 1933, and the fund is not a registered investment company under the Investment Company Act of 1940. LFL Advisers believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, LFL Advisers and any fund could be subject to expensive legal action and potential termination. In addition, investors in the fund would not have certain regulatory protection that they would have if these registrations were in place.
- LFL Advisers' activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
- LFL Advisers and its affiliates may spend time on activities that compete with a fund or separate account without accountability to investors or other clients, including investing for other clients and their own accounts. If LFL Advisers receives better compensation and other benefits from managing other assets compared to managing a fund or separate account, it may have an incentive to allocate more time to those other activities. These factors could influence LFL Advisers not to make investments on a client's behalf even if such investments would benefit the client.
- LFL Advisers may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and withdrawal or redemption rights that it does not provide to other investors or clients.

The above is only a brief summary of some of the important risks that a client or an investor in a fund may encounter. Before deciding to invest in a fund that LFL Advisers manages, you should consider carefully all of the risk factors and other information in the fund's offering documents.

Item 9. Disciplinary Information

None.

Item 10. Other Financial Industry Activities and Affiliations

LFL Advisers and its management individuals are not registered as a broker-dealer and have no pending applications.

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

LFL Advisers has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, which establishes standards of conduct for LFL Advisers' supervised persons. The Code of Ethics includes general requirements that LFL Advisers' supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal securities trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal securities trading restrictions described below and periodically to report their personal securities transactions and holdings to LFL Advisers' Chief Compliance Officer and requires the Chief Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Each supervised person of LFL Advisers receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Clients, prospective clients, and investors may review a copy of LFL Advisers' Code of Ethics by contacting Peter Lewis at (847) 868-8750, or plewis@lfladv.com.

Under LFL Advisers' Code of Ethics, LFL Advisers and its manager, members, officers and employees may personally invest in or personally sell the securities of the same issuers that LFL Advisers purchases and holds for clients and may own securities of issuers whose securities that LFL Advisers subsequently purchases for clients. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, LFL Advisers and its officers, members, managers and employees generally must obtain pre-approval before engaging in most securities transactions as required by the Code of Ethics. LFL Advisers and its officers, members, managers and employees may also buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which LFL Advisers does not believe to be appropriate considerations on which to buy or sell for clients.

When considering managing capital for prospective clients, LFL Advisers has an incentive to cause a client to invest in its investment partnership client (the fund, LFL Partners, L.P.) instead of a separate account because of the reduced expenses and administrative burdens of managing a fund compared to a separate account and because LFL Advisers' performance compensation from the investment fund receives more favorable tax treatment than that from a separate account and because investment fund investors may have less transparency and liquidity than individual account clients.

Because LFL Advisers manages more than one client account, there may be conflicts of interest over LFL Advisers' time devoted to managing any one client account and allocating investment opportunities among all client accounts that it manages. For example, LFL Advisers selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. LFL Advisers may buy or sell a security for one type of client but not for another type of client or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client (there are a number reasons that an investment may be appropriate for one client and not another). Additionally, because LFL Advisers is a direct investor in its

investment partnership client (the fund, LFL Partners, L.P.) but not in its separate accounts, and because LFL Advisers' incentive allocation from the fund receives more favorable tax treatment than that of a separate account, the firm may have a conflict of interest due to its incentive to allocate the most favorable investments to the fund.

LFL Advisers attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. LFL Advisers may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client so long as it is LFL Advisers' policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. LFL Advisers is not obligated to acquire for any account any security that LFL Advisers or its managers, members, officers or employees may acquire for its or their own accounts or for any other client, if in LFL Advisers' absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

Item 12. Brokerage Practices

A. Selection of Brokers

LFL Advisers has complete discretion in selecting the brokers it uses for client transactions and the commission rates that clients pay such brokers. LFL Advisers generally allocates portfolio transactions for client accounts to brokers based on best execution and in consideration of certain services provided by the brokers that benefit LFL Advisers and the client accounts. In selecting a broker for any transaction or series of transactions, LFL Advisers may consider a number of factors, including, for example:

- net price, clearance, settlement and reputation; financial strength and stability;
- efficiency of execution and error resolution;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future; special execution capabilities;
- order of call;
- offering to LFL Advisers research and access to company management and industry conferences;
- offering to LFL Advisers on-line access to computerized data regarding clients' accounts;
- computer trading systems; and
- the availability of stocks to borrow for short trades.

Research and Soft Dollars

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law.

LFL Advisers may purchase from a broker or allow a broker to pay for the following (each a "soft dollar" service): Research services (whether research is produced by the broker or a third-party); economic and market information; portfolio strategy advice; industry and company comments;

technical data; recommendations; research conferences; general reports; periodical subscription fees; consultations and meetings; on-line pricing; and news wire and data processing charges.

LFL Advisers may also receive soft dollar credits based on principal securities transactions or agency securities transactions. LFL Advisers may direct a broker that executes transactions to share some of its commissions with a broker that provides soft dollar benefits to LFL Advisers.

During LFL Advisers' last fiscal year, it did not acquire any products or services with client brokerage commissions or markups.

1. Soft Dollar Benefits

LFL Advisers effects transactions with broker-dealers who provide research services (collectively, "soft-dollar items") to LFL Advisers that assist the Firm in making investment and trading decisions on behalf of its clients. The negotiated commissions paid to broker-dealers supplying soft-dollar items may not represent the lowest obtainable commission rates. The client may be charged a brokerage commission in excess of that which another broker might charge for effecting the same transaction if LFL Advisers determines in good faith that such commission is reasonable in relation to the value of the brokerage, research, other services and soft dollar relationships provided by that broker, viewed in terms of either the specific transaction or LFL Advisers' overall responsibilities to the portfolios over which LFL Advisers exercises investment authority.

When LFL Advisers uses client brokerage commissions to obtain soft-dollar items, it receives a benefit because it does not have to produce or pay for such soft-dollar items. However, LFL Advisers believes that such soft dollar items may provide the clients with benefits by supplementing the research and services otherwise available to the clients. In addition, the research and other benefits resulting from a brokerage relationship may benefit all client accounts or LFL Advisers operations as a whole. LFL Advisers may have an incentive to select or recommend a broker-dealer based on its interest in receiving the soft-dollar items, rather than on the client's interest in receiving most favorable execution. LFL Advisers addresses such conflicts of interest by at least annually evaluating the trade execution services that LFL Advisers receives from the brokers that it uses to execute trades for clients.

The custodian for the investment fund is The Northern Trust Company, 50 South LaSalle Street, Chicago, IL 60603. LFL Advisers has retained Northern Trust Securities, Inc., 50 South LaSalle Street #B12, Chicago, IL 60603, a subsidiary of The Northern Trust Company, to serve as prime broker for its investment fund client. The services that the prime broker provides may include custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage agreement. The custodian has custody of most of the fund's assets and provides LFL Advisers with other services, which may include portfolio reporting reconciliation and access to electronic communication networks. Although the investment fund does directly pay a fee for the custodian's services, and although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if LFL Advisers did not receive these services from the custodian and prime broker, LFL Advisers might be required to pay for all or some portion of them. LFL Advisers is not required to direct a particular number of trades to the prime broker in order to continue to use it as prime broker, but LFL Advisers may have an incentive to direct trades to the prime broker based on its prior and continued prime brokerage services.

2. Brokerage for Client Referrals

LFL Advisers does not consider, in selecting or recommending broker-dealers, client referrals from a broker-dealer. During LFL Advisers' last fiscal year, it did not direct any client transactions to a particular broker in return for receiving client referrals. If LFL Advisers receives referrals in the future, it will appropriately amend this Brochure.

3. Directed Brokerage

LFL Advisers does not accept directed brokerage arrangements. Securities transactions are executed by brokers selected by LFL Advisers in its discretion and without the consent of its clients.

B. Aggregating Trading for Multiple Client Accounts

LFL Advisers commonly aggregates sale and purchase orders of securities for both of its client accounts. This practice enables LFL Advisers' brokers to seek more favorable executions and net prices for a combined order. If an order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day are generally allocated *pro rata* between the clients. However, the *pro rata* allocation may be adjusted at LFL Advisers' discretion for a variety of reasons—for example, to avoid having odd amounts of shares held in any client's account or to avoid deviations from any pre-determined minimum/maximum holdings limits established for any client.

When LFL Advisers aggregates securities sales and purchases, an account generally will be charged or credited, as the case may be, the average transaction price of all securities purchased or sold in such transactions. There may be times when the price may be less favorable than the price that would otherwise have been achieved if the client trade was not being executed concurrently for other accounts. In general, however, LFL Advisers believes that aggregating orders results in lower transaction costs than trades effected for a single account.

From time to time, subject to client or investment guidelines and restrictions, LFL Advisers is authorized to direct one of its clients to sell investments to another client through an internal cross transaction in which LFL Advisers will receive no compensation. During LFL Advisers' last fiscal year, it did not direct any such cross transactions. In most cases of cross transactions, an independent pricing mechanism will be used to ensure objectivity. However, there could be times in which that pricing mechanism is not feasible or fair to LFL Advisers' clients, in which case the firm will seek some pricing mechanism that is fair to both such clients. To the extent that any such transaction would be a principal transaction due to the ownership interest in the client by LFL Advisers and its personnel, LFL Advisers will comply with the requirements of Section 206(3) of the Investment Advisers Act of 1940, as amended and provide written notification to such client and obtain client consent either prior to the principal transaction or prior to its settlement.

Item 13. Review of Accounts

Review of the investment portfolio is an ongoing process by LFL Advisers' manager. The review takes into account such matters as asset allocation, cash management, the prospects of individual securities, changes in issuer earnings, industry outlook, market outlook and price levels. Monthly performance results, in written or electronic form, are provided to clients and investors by LFL

Advisers' administrator. The firm also typically provides an annual letter to clients and investors in the fund. As explained in Item 15, clients are urged to compare information provided by LFL Advisers or its administrator with the statements received from the account's qualified custodian.

Item 14. Client Referrals and Other Compensation

LFL Advisers does not currently, but may in the future, engage solicitors to whom it would pay cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such a case, this practice will be disclosed in writing to the client and LFL Advisers will comply with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

Item 15. Custody

SEC rules provide that, because LFL Advisers and/or its related persons are the general partner of its investment fund client, LFL Advisers or its related persons are considered to have "custody" of the investment fund's assets, even though an independent custodian actually holds those assets. The custody rules generally require investment advisers that have "custody" of client assets to cause certain account statements detailing holdings and transactions to be sent to clients and imposes certain other obligations. However, advisers to investment funds like LFL Advisers' investment fund client are not required to comply (or are deemed to have complied) with certain requirements of the Custody Rule with respect to each fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception." The exception requires that each investment fund be subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year. LFL Advisers satisfies the SEC's custody requirements by providing investors with audited financial statements by a specified time each year.

LFL Advisers generally does not have custody of assets for separate account clients (except to the extent that LFL Advisers may cause fees to be deducted directly from the account). The separate account client's assets are held at a qualified custodian. The qualified custodian provides monthly account statements (whether in printed or electronic form) that the client should review promptly and carefully. The administrator for LFL Advisers generally provides separate account clients with performance calculations on a monthly basis. Clients are urged to compare information provided by LFL Advisers or its administrator with the statements received from the account's qualified custodian.

Item 16. Investment Discretion

LFL Advisers has discretionary authority to manage investment accounts on behalf of clients pursuant to a grant of authority in each fund's limited partnership agreement or a limited power of attorney in each separate account client's account agreement. Except for the investment fund,

such discretion is limited by the requirement that separate account clients advise LFL Advisers of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and
- any specific investment restrictions relating to the account.

A separate account client must promptly notify LFL Advisers in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct LFL Advisers to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's restrictions as stated in the executed investment management agreement. In addition, a client may notify LFL Advisers at any time not to invest any funds in the client's account in specific securities or specific categories of securities.

Item 17. Voting Client Securities

LFL Advisers votes proxies on behalf of each account over which it has proxy voting authority based on LFL Advisers' determination of such account's best interests. In determining whether a proposal serves an account's best interests, LFL Advisers considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders; the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

LFL Advisers may abstain from voting proxies when it is consistent with the client's investment management agreement and when LFL Advisers believes that it is in the best interest of its clients or otherwise appropriate to do, such as when the cost to vote is prohibitive compared to the benefit such as if the proxy is in a foreign language and will need to be translated or if it is required that proxies be voted in person.

If a material conflict of interest over proxy voting arises between LFL Advisers and a client, LFL Advisers will vote all proxies in accordance with the policy described above. If LFL Advisers determines that this policy does not adequately address the conflict of interest, LFL Advisers will notify the client of the conflict and request that the client consent to LFL Advisers' intended response to the proxy solicitation. If the client consents to LFL Advisers' intended response or fails to respond to the notice within a reasonable time specified in the notice, LFL Advisers will vote the proxy as described in the notice. If the client objects in writing to LFL Advisers' intended response, LFL Advisers will vote the proxy as the client directs.

A current or potential client or investor can obtain a copy of LFL Advisers' proxy voting policy and a record of votes cast by LFL Advisers on behalf of that client by contacting LFL Advisers.

Item 18. Financial Information

Not Applicable.

Item 19. Requirements for State-Registered Advisers

All of the information required by this Item is disclosed elsewhere in LFL Advisers' Form ADV.