

# FFL PARTNERS, LLC

Form ADV Part 2A: Firm Brochure (March 29, 2024)

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

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

Additional information about FFL is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

The Firm's business activities have not changed materially since the last annual update of this brochure. This brochure updates the description of the business practices of the Firm including with respect to fees and compensation, risk factors and conflicts of interest since the last annual update on March 30, 2023.

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## Item 4: Advisory Business

FFL is a San Francisco-based private equity firm primarily focused on investing in U.S. middle market companies. FFL was established in 1997 and since then has raised and managed private equity partnerships with aggregate capital commitments of \$6.0 billion<sup>1</sup> as of December 31, 2023. FFL's primary business is to direct private equity investments in U.S., middle market companies through the financing of buyouts, growth initiatives, and recapitalizations. FFL is principally owned by FFL Partners, L.P. FFL Partners, L.P. is primarily owned by FFL Senior Managing Members (Rajat Duggal, Spencer Fleischer, Chris Harris, Greg Long, Aaron Money, Cas Schneller, former Senior Managing Member Tully Friedman, and Chris Masto its Senior Advisor).

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

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

As of December 31, 2023, FFL managed approximately \$2,958,000,000 in client assets on a discretionary basis and no assets on a non-discretionary basis.

## Item 5: Fees and Compensation

For each Partnership, with the exception of FFL's co-investment funds ("Co-investment Funds"), certain classes of interests in a continuation fund vehicle managed by FFL (the "Continuation Fund"), and certain other Partnerships established and beneficially owned by industry executive investors, personnel and other designees of the Firm ("Designee Funds"), FFL or an affiliated company generally receives carried interest and/or a priority allocation (together "performance-based fees") in the relevant Partnership along with a management fee for providing investment management services to its clients. Management fees are generally payable in quarterly installments in advance, and any payment for a period of less than three months is adjusted on a pro rata basis according to the actual number of days during the period. Where the governing documents calculate management fees based on

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

the amount of commitments or the amount of contributions still invested, the amount of management fees generally will not be reduced based on reduction in investment value, except where specified by the relevant governing documents. As a general matter, management fees will be payable during term extensions unless otherwise agreed with investors. The Partnerships are generally charged management fees between 1.89% and 2.00% of committed capital up and until the earlier of (a) the date when FFL is entitled to receive management fees from a successor fund and (b) the end or early termination of the Partnership's investment period; and 1.5% of invested capital (less invested capital attributable to the portion of investments that have been realized and less invested capital attributable to investments that have been completely written off for U.S. federal income tax purposes) thereafter (the "Stepdown Date"). As a result, the amount of management fees generally will not correspond with fluctuations in the Partnership's net asset value, including following the investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), except in the case of investments completely written off for U.S. federal income tax purposes. Further, management fees generally will not be reimbursed or refunded under the governing documents in the event of realizations or write offs that occur partway through the relevant calculation period. The governing documents set forth the full list of terms under which management fees will be reduced, offset, or otherwise be limited, and consequently investors should expect to bear the full specified management fee rate in the governing documents until they are reduced in the circumstances and on the date(s) specified therein. FFL manages the Continuation Fund that pays a management fee of 1% of the remaining invested capital (less write offs), as further described in the Continuation Fund's governing documents. For certain of the Partnerships, the management fee is reduced, but not below zero, by the amount of capital contributed by the limited partners to fund placement fees, excess organization expenses and incentive capital contributions. As discussed in Item 14, management fees are also reduced for certain of the Partnerships by certain fees and certain items of compensation received by FFL or its affiliates to the extent provided by relevant Partnership governing documents, but not including FFL personnel who are employed or engaged by and assist one or more portfolio companies in an operations capacity. As further described in Partnership governing documents, certain of FFL's personnel, consultants and advisors ("Operating Team Members" or "Operating Partners") are permitted to be employed or engaged by or on behalf of the Partnerships and/or portfolio companies to perform operating activities, which include, among others, interim management roles, consulting arrangements, projects relating to improvement initiatives, board service, identifying and evaluating potential investments for which the person performing such activities is expected to perform in an operations capacity, or other similar forms of operations support ("Operating Activities"). Compensation (including director's fees, consultant fees, retainer fees, success fees and other fees, salary, promotes, profit sharing, incentive equity, stock options, stock awards, co-investment rights and other cash and non-cash compensation, benefits and incentives and reimbursement of expenses, as well as other compensation for such assistance in an Operating Team Member's capacity as a director, consultant, advisor or employee of a portfolio company, including a platform or other holding company, or in

connection with other Operating Activities) received, directly or indirectly, by Operating Team Members from or in respect of portfolio companies or a Partnership (“Operating Team Compensation”) will not, however, reduce the management fee otherwise payable by a Partnership and all or a portion of that compensation will be borne by a Partnership directly or indirectly via its ownership interest in such portfolio companies.

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

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

Certain Partnerships’ governing documents require that a portion of the management fees be reduced by the amount of deemed capital contributions by such Partnership’s general partner (each, a “General Partner” and collectively, together with any future affiliated general partner entities, the “General Partners”). Such deemed capital contributions reduce the amount of capital such General Partner would otherwise be required to contribute to such Partnership. The limited partners of a Partnership fund the deemed capital contributions through a pro rata contribution according to their respective commitments. Such capital contributions are commonly referred to as “incentive capital contributions”. Incentive capital contributions may result in an acceleration of investor capital contributions. Due to reduced management fees by FFL and/or timing of the receipt of compensation subject to offsets (as described below), it is possible that management fee offsets will be delayed or not realized in the relevant Partnership, resulting in a net additional benefit to FFL.

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

In addition to management and performance-based fees, if any, limited partners in the Partnerships will bear all fees, costs, liabilities and obligations, and expenses that are incurred by or arise out of the Partnerships’ operations and activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio investment). These expenses typically include:

(a) activities with respect to the origination, identification and sourcing of investment opportunities for the Partnerships, including attending and sponsoring industry conferences and events, meeting with consultants, finders, broker-dealers, investment banks and other sources of investments and developing and maintaining an investment pipeline; (b) activities with respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligence (including any subscriptions to periodicals or databases and/or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up,

liquidating, dissolving or otherwise disposing of, as applicable, each Partnership's portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence, software and service providers, consultants and similar professionals in connection therewith); (c) indebtedness of, or guarantees made by, each Partnership, FFL, the General Partners, any affiliated partners on behalf of the Partnerships (including any credit facility, letter of credit or similar credit support), including the repayment of principal or interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (d) financing, commitment, origination and similar activities; (e) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement, sales, investment banker, finder and similar costs; (f) brokerage, sale, custodial, depository (including any depository appointed pursuant to the EU Alternative Investment Fund Managers Directive ("AIFMD")), local paying agent (including any Swiss representative and paying agent or ombudsman appointed pursuant to the CISA, FinSA and/or any law, rule or regulation relating to the implementation thereof), trustee, record keeping, account, registered office and similar services; (g) reporting, filings and other ongoing compliance requirements contemplated by the AIFMD, the CISA, the FinSA, or any similar law, rule or regulation (excluding, for the avoidance of doubt, the initial and/or preliminary registrations, filings and compliance obligations related thereto incurred prior to the final closing that constitute organizational expenses); (h) accounting, research, legal, audit, technology, administration (including costs associated with any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services), consulting (including consulting and retainer fees, salary and other cash and non-cash compensation paid to, and benefits or personnel costs provided to or on behalf of, the Operating Team Members in connection with the performance of operating activities, consultants performing investment initiatives or providing services related to environmental, social and governance ("ESG") investment considerations and policies and other consultants), tax and other professional services (including costs related to the establishment or maintenance of any such activities or services); (i) reverse breakup, termination and other similar arrangements and all other out of pocket expenses in connection with transactions not consummated (i.e., broken deal expenses); (j) insurance, including directors and officers liability, fidelity bond, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance (including costs related to any retention or deductibles and broker costs and commissions) and any consultants or other advisors utilized in the procurement, review, maintenance and analysis of insurance; (k) filing, title, transfer, survey, registration and other similar activities; (l) printing, communications, mailing, courier, marketing and publicity; (m) the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms or other communications with partners, any other administrative, compliance or regulatory filings or reports (including Form PF and Bureau of Economic Analysis Reports), or other information, including fees and costs of any

third-party service providers and professionals related to the foregoing; (n) compliance with any tax or financial account reporting regime, including the FATCA, the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard and any similar laws, rules and regulations, including any costs of any third-party service providers and professionals related to the foregoing; (o) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, ledger systems, financial management and cybersecurity) or other administrative or reporting tools (including subscription-based services); (p) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs incurred in connection with the EU Data Protection Law or disclosure requests, including in connection with state public records, similar freedom of information and other laws) or other similar law or regulation; (q) costs relating to the activities or proceedings of each Partnership’s “Advisory Committee” (as defined in Item 11 – “Resolution of Conflicts”) (including any reasonable out-of-pocket costs and expenses incurred by representatives of the General Partner, the Advisory Committee members, permitted observers and other persons in attendance or otherwise participating in meetings of the Advisory Committee); (r) indemnification (including legal and any other costs incurred in connection with indemnifying any partner or other person pursuant to each Partnership’s governing documents or otherwise and advancing costs incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to each Partnership’s governing documents); (s) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs of discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (t) any annual, periodic, or special meeting if any, of the Partnerships’ limited partners, and any other conference, meeting or webcast or other video conference with any partner(s) (in each case, including any costs associated with venue, set-up, room and board, dining, entertainment, gifts and mementos, honorarium, events or speakers and other meeting or conference-related costs), in each case to the extent incurred by the Partnerships, the General Partner or any other affiliate of the General Partner; (u) the management fee; (v) the termination, liquidation, winding up or dissolution of the Partnerships and any persons owned directly or indirectly by the Partnerships (including portfolio companies) and related entities; (w) defaults by partners; (x) amendments to, and waivers, consents or approvals pursuant to the constituent documents of the Partnerships, the General Partner, the general partner of the General Partner, any entities owned directly or indirectly by the Partnerships (including portfolio companies), including the preparation, distribution and implementation thereof; (y) compliance with any law, rule or regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or antiterrorism considerations), including any legal, administrator, consulting or other third-party service provider costs related thereto, any regulatory costs of the General Partner or any of its affiliates incurred in connection with the operation of the Partnerships and any costs related to compliance with any environmental, social or governance or other investment considerations and policies applicable to the Partnerships, the General Partner and/or any of their respective affiliates



and/or the validation or other confirmation of any payments made to the Partnerships or the General Partner (including as a result of any anti-money laundering laws, rules or regulations) and/or any litigation or governmental inquiry, investigation or proceeding involving the Partnerships, except to the extent such costs have been determined to be excluded from the indemnification provided for in each Partnership's governing documents, but excluding any regulatory and compliance expenses not related to the Partnerships or their activities (e.g., excluding the expenses of preparing FFL's Form ADV under the Advisers Act); (z) any litigation or governmental inquiry, investigation or proceeding including any costs of discovery related thereto and the amount of any judgements, settlements or fines paid in connection therewith, except to the extent such costs or amounts have been determined to be excluded from the indemnification provided for in each Partnership's governing documents; (aa) unreimbursed costs incurred in connection with any transfer or proposed transfer of an interest in the Partnership contemplated in each Partnership's governing documents or any limited partner's name change, internal restructuring or change in trust, registered agent or custodian; (bb) any taxes, fees or other governmental charges levied against the Partnership or any alternative vehicle and all costs incurred in connection with any tax audit, inquiry investigation, settlement or review of the Partnership or any alternative vehicle (except to the extent that the Partnership is reimbursed therefor by a partner or such tax, fee or other governmental charge is treated as having been distributed to the partners pursuant to each Partnership's governing documents) and any costs of or related to the "partnership representative" of the Partnerships or the "designated individual" thereof; (cc) unreimbursed and unpaid costs of the Operating Team Members in connection with the performance of Operating Activities; (dd) compliance or regulatory matters (except as set forth in the partnership agreement), including compliance with the partnership agreement and/or any side letter or similar agreement; (ee) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the General Partner, FFL or any of their respective affiliates at any trade conference, related to deal sourcing or related to an existing or potential portfolio company, including any applicable registration costs and exhibition, sponsorship or other presentation costs; (ff) any travel (including, where appropriate as reasonably determined by the General Partner, the cost of using private aircraft or other private air travel at a cost not to exceed the cost of first class (or equivalent) commercial airfare, car or ride sharing services, other modes of transportation, meals, lodging and entertainment) and other meals and entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (gg) costs associated with a Partnership's restructuring; (hh) any of the items listed in clauses (a) – (hh) above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful and/or that may have been offered to co-investors (including co-investors' proportionate share of any expenses related to an investment or other opportunity not consummated); and (ii) any other costs approved by the Advisory Committees.

Certain costs and expenses are borne by all the Partnerships and will be allocated to each Partnership by FFL in its good faith discretion or in accordance with the governing documents of each applicable Partnership. Certain costs and expenses are expected to be incurred by FFL, or its affiliates, and to be reimbursed by the Partnerships. To the extent certain costs and out-of-pocket expenses are reimbursed or borne by a portfolio company (or intermediate entity), a portion of such amounts will be indirectly borne by a Partnership via its ownership interest in such portfolio company. Each Partnership also generally will bear the costs of implementing, reporting (as applicable), monitoring and complying with investment guidelines and directives relating to the Partnership's strategy, including in side letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant General Partner has committed in making investments on behalf of the Partnership. Additionally, subject to the governing documents, a Partnership typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Partnership invests.

Generally included in the expenses permitted to be borne by the Partnerships are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Partnership and the portfolio company.

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

See Item 14 for a discussion of Fee Income.

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

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

Each Partnership's items of income, gain and loss are initially allocated among the partners of the Partnership in proportion to their ownership interest. To the extent that limited

partners in a Partnership, with the exception of the Co-investment Funds and Designee Funds, have combined profits from the Partnership in excess of the priority allocation, if any, the Partnership is subject to carried interest of 20% of investment income and 20% of profits on distributions derived from the disposition of investments or securities, subject to an internal rate of return hurdle. The Continuation Fund will be subject to a tiered carried interest structure that ranges from 10% up to 20%, depending on the returns to the Continuation Fund.

Detailed information regarding the carried interest arrangements borne by the Partnerships is provided in each Partnership's governing documents.

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

Carried interest arrangements create an incentive for the General Partner to operate the relevant Partnership in a riskier, more speculative or other manner that is less favorable to investors than it would otherwise in the absence of such arrangements, although FFL generally considers performance-based compensation to align its interest with those of its investors. Additionally, where FFL has Partnerships with varying carried interest terms (including amount, timing, waterfall conditions or other terms) and/or FFL personnel are assigned varying percentages of carried interest from the Partnerships, FFL and such personnel are subject to potential conflicts of interest to the extent they are involved in identifying investment opportunities as appropriate for Partnerships from which they are entitled to receive a higher carried interest percentage. FFL has in place an investment allocation policy which is designed to ensure the allocation of investment opportunities among Partnerships on a fair and equitable basis and in accordance with each Partnership's investment guidelines and governing documents. See Item 11 for additional information.

## Item 7: Types of Clients

FFL provides investment management services to groups of Private Equity Partnerships, each a "Primary Fund" together with their related "side funds" or "parallel entities" and alternative investment funds, Co-investment Funds, and the Continuation Fund. Each "side fund" to the Primary Fund generally invests side-by-side, on a pro rata basis, with its Primary Fund. Each Co-investment Fund invests in a company that is also an investment of the Primary Fund and its side funds. The Continuation Fund holds a limited number of investments and is not expected to accept new commitments or make platform investments. Each Partnership operates as a pooled investment vehicle intended to provide management expertise and other advantages to its portfolio company investments. The minimum capital commitment for a limited partner of FFL Capital Partners IV, L.P. and its related parallel funds ("Fund IV") and FFL Capital Partners V, L.P. and its related parallel funds ("Fund V") is \$10,000,000; however, FFL maintains discretion to accept less than the minimum investment threshold. FFL maintains discretion over minimum capital commitments of the Co-investment Funds and the Continuation Fund.

The Partnerships generally enter into separate agreements, commonly referred to as “side letters”, with certain investors to grant certain rights or allow such investors to invest on different terms than those specifically described in the offering documents. Under certain circumstances, these agreements are expected to create preferences or priorities for such investors with respect to other limited partners. See Item 11.

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

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

### Investment Strategy and Process

Each Partnership’s investment objective is to achieve long-term capital appreciation primarily through investments in U.S. middle market companies in which the Partnerships will generally have influence on the management, operations, and strategic direction of the business. FFL will typically target investments ranging in size from \$50 million to \$300 million and typically expects to hold investments for four to six years. The Continuation Fund holds a limited number of investments and is not expected to make additional investments over its five-year term.

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

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

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

FFL currently operates three investment committees, one for the Continuation Fund, one for Fund IV and one for Fund V. As a result, investment opportunities and decisions about portfolio company investments in the Continuation Fund, Funds IV, and V are made independently, although three of the Firm's investment professionals serve on all three committees.

### Associated Risks and Conflicts of Interest

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

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

#### *Lack of Diversification; Risk of Loss of Capital*

Since a Partnership may only make a limited number of investments, and since a Partnership's investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the investors. No guarantee or representation is made that a Partnership will achieve its investment objectives or that invested capital will be returned.

#### *Non-U.S. Investments*

Although FFL is primarily focused on investing in U.S. companies, a portion of the Partnership's capital may be invested in businesses that are based outside of the United States and Canada. Such investments will involve risks not typically associated with investments in the securities of U.S. companies. For instance, investments in non-U.S. businesses (i) may require significant government approvals under corporate, securities, exchange control, non-U.S. investment and other similar laws and regulations; (ii) may require financing and structuring alternatives and exit strategies that differ substantially from those commonly used in the United States; and (iii) will expose the Partnership to potential losses arising from changes in foreign currency exchange rates. The foregoing factors may increase transaction costs and adversely impact the value of a Partnership's investments in non-U.S. portfolio companies. Geopolitical events, such as the Israeli-Palestinian conflict and the Russian-Ukrainian war, have increased market and liquidity volatility and have caused sanctions, trading suspensions and closures. The sanctions include legal, regulatory, currency and economic risks, and additional sanctions may be

imposed in the future. Certain economic sectors may be particularly affected, including but not limited to, financials, energy, metals and mining, engineering and defense and defense-related materials sectors. The duration of the conflicts and the economic effects cannot be known. Such events, and other related events, could have a serious negative impact on, among other things, performance, liquidity, and valuation of investments.

#### *Competitive Nature of the Partnership's Business*

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

#### *No Right to Control the Partnership's Operations*

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

#### *Risk Arising from Provision of Managerial Assistance*

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

### *Risks Upon Disposition of Investments*

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

### *Difficulties upon Exit*

The Partnerships investments will be subject to various risks, particularly the risk that the Partnerships will be unable to realize their investment objectives by sale or other disposition at attractive prices or be unable to complete any exit strategy. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. There can be no assurance that a public market will develop for any of the Partnerships' investments or that the Partnerships will otherwise be able to realize such investments. Therefore, there can be no assurance that the Partnerships will realize net profits or achieve returns commensurate with the risks associated with its investments, or that the Partnership will not experience losses in its investments, which may be substantial.

### *Risk of Minority Positions; Lack of Unilateral Control*

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

### *Follow-On Investments*

With the exception of the Continuation Fund, the Partnerships are permitted to be called upon to provide follow-on funding for their portfolio companies or have the opportunity to increase their investment in such portfolio companies. There can be no assurance that each Partnership will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by the Partnership not to make follow-on investments or its inability to make them potentially will have a substantial negative impact on a portfolio company in need of such an investment or diminish the Partnership's ability to influence the portfolio company's future development or result in the dilution of the relevant Partnership's ownership in a portfolio company if a third party or co-investor is permitted to invest.

### *Borrowings and Credit Support*

With the exception of the Continuation Fund, the Partnerships are permitted to the extent permitted by their governing documents, to borrow money or otherwise utilize leverage to fund acquisitions, bridge financing, or distributions in anticipation of proceeds, to pay Partnership expenses, including management fees, and to reimburse FFL for expenses incurred on behalf of the Partnership. It is expected that any such borrowings will be secured primarily by the commitments of the Partnership's investors. The Partnerships bear costs relating to the establishment and/or maintenance of a subscription line of credit and there can be no assurance that the benefits to limited partners will be commensurate with such costs. Conflicts of interest have the potential to arise in that the use of Partnership-level borrowing typically delays the need for limited partners to make contributions to a Partnership, or results in short-term gains to a Partnership, which in certain circumstances enhances the relevant Partnership's internal rate of return calculations and thereby benefits the marketing efforts of the General Partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Partnership's carried interest arrangement will be met. In other circumstances, the use of Partnership-level borrowing can increase the base of a Partnership's management fee calculation, such as during periods where management fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Partnership-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of Partnership's investment period, and cause or defer a related change in the basis of the relevant Partnership's management fee calculation under the governing documents. Conflicts of interest also have the potential to arise to the extent that a "subscription line" is used to make an investment that is later sold in part to co-investors, (including one or more co-investing Partnerships), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Partnership nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.



In addition, a Partnership's investments are expected to include portfolio companies the capital structure of which may have significant leverage. Although borrowings by a Partnership may enhance overall returns, they may further diminish returns (or increase losses) to the extent overall returns are less than a Partnership's cost of funds. The extent to which each Partnership uses leverage generally results in important consequences including, but not limited to: (i) use of cash flow for debt service and related costs and expenses rather than for additional investments, (ii) limitations on the flexibility of the Partnership to sell assets that are pledged to secure the indebtedness, (iii) fees, (iv) increased interest expense if interest rate levels were to increase and (v) limiting the Partnership's ability to use its interests as collateral for other indebtedness. Additionally, each Partnership may make contingent funding commitments and other credit support to its portfolio companies. There can be no assurance that the Partnership will have sufficient cash flow to meet its debt service obligations. As a result, the Partnership's exposure to losses may be increased due to the illiquidity of its investments generally. Except where otherwise required by the relevant governing documents, a Partnership will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Partnership's credit worthiness would permit borrowing at a lower rate than is available to the portfolio company.

#### *Recourse to the Partnerships' Assets*

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

#### *General Economic Conditions*

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

Economic and market instability can negatively affect a wide range of financial institutions and markets, asset classes and sectors. The ability to successfully make and realize investments depends not only on the portfolio companies and their historical results and prospects, but also on political, market and economic conditions. The trading market for the securities of any portfolio company may not be sufficiently liquid to enable a Partnership to sell these securities when the General Partner believes it is most advantageous to do so, or without adversely affecting the prevailing price where a trading market has developed for the interest. Volatility in market or economic conditions, as well as local, regional, or global events such as an outbreak or escalation of major hostilities, declarations of war, acts

of terrorism, the spread of infectious illness or other public health issue, or other substantial national or international calamities or emergencies could have a material adverse effect upon a Partnership and the portfolio companies. In addition, tight credit markets may hinder the ability of portfolio companies to refinance debt securities or sell new securities in the public and private debt markets or otherwise. Prospective investors should consider the long-term nature of an investment in a Partnership and the potential exposure to such market risks over the term of the Partnership before investing in the Partnership.

*Environmental, Social and Governance Matters.*

FFL maintains an ESG policy and seeks to integrate certain ESG factors into its investment process in accordance with its policy and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. There is no guarantee that FFL will be able successfully to implement its ESG policy or to make investments in companies that create a positive ESG impact while achieving its investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by FFL, or any judgment exercised by FFL, will reflect the beliefs or values of any particular investor. There are also significant differences in interpretations of what ESG characteristics mean by region, industry and topic as well as the interpretations of their scope and materiality. FFL's interpretations and decisions are expected to differ from others' views and could also evolve over time. In addition, in evaluating an investment, FFL expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources which could be incomplete, inaccurate or unavailable, and which could cause FFL to incorrectly assess a company's ESG practices and/or related risks and opportunities. FFL does not intend independently to verify all ESG information reported by investments or third parties. Further, considering ESG qualities when evaluating an investment could result in the selection or exclusion of certain investments based on FFL's view of certain ESG-related and other factors and could cause the relevant Partnerships not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of the ESG Policies.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by other asset managers, and FFL's adoption and adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. FFL's ESG policies could become subject to additional regulation in the future, and FFL cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any future requirements (including any enforcement with respect thereto) could affect a Partnership or its investments, including with respect to future administrative burdens and costs.

*Certain Regulatory Considerations*

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

There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Partnerships' activities, including the ability of the Partnerships to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent the Partnerships' efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Partnerships may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Uncertainty has arisen regarding potential changes in law and regulation affecting the U.S. private equity industry, including the possibility of significant revision to U.S. financial law and regulation. The likelihood of the occurrence and the effect of any such change is highly uncertain and could have an adverse impact on the Partnerships, the General Partners and/or the limited partners.

The SEC has proposed and enacted significant rules that will impact the business of FFL and the Partnerships. In particular, the SEC has adopted a number of new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose and/or adopt additional rules in the future. Such current and future rulemaking is expected to materially impact the Partnerships and/or their investments and/or FFL and its affiliates. In addition, the Partnerships are expected to bear increased and significant costs as a result of such enacted and proposed rules, including costs related to limited partner reporting and disclosure to investors. Significant time and resources are expected to be required to comply with the new regulations, which potentially

will detract from the time and resources dedicated to the Partnerships. In addition, following the applicable compliance date, such regulations will require FFL to disclose to prospective investors and/or limited partners certain preferential investment terms that were provided to any limited partner in connection with its investment in the Partnerships, which could cause FFL and its affiliates to deny certain preferential terms to limited partners. Certain rules are or may become subject to legal challenge from private fund industry groups and others, and to the extent such legal challenges are successful, investors and limited partners will not be afforded some or all of the protections provided by such rules.

#### *Other Regulatory Restrictions*

Anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent FFL or the Partnerships from entering into transactions with certain individuals or jurisdictions.

The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. Export restrictions enforced by the United States could prohibit certain additional transactions with certain non-U.S. persons and entities. These types of sanctions, export controls, and similar laws and regulations in non-U.S. jurisdictions could significantly restrict the Partnerships' investment activities in certain countries. Sanctions and export control restrictions change from time to time with little warning and could require the General Partners, the Partnerships, or their portfolio companies to unwind or terminate business relationships, potentially on commercially unfavorable terms. The economic sanctions and related laws of different jurisdictions in which the Partnerships make investments also could conflict with one another, such that compliance with all applicable laws could be difficult. Failure by the General Partners, the Partnerships or any of the Partnerships' portfolio companies to comply with relevant sanctions and export restrictions could have serious legal and reputational consequences, including civil and criminal penalties.

The U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption and anti-bribery laws could impact FFL, the Partnerships and the Partnerships' portfolio companies. The Partnerships could be adversely affected or miss out on opportunities because of FFL's unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations could make it difficult in certain circumstances for the Partnerships to act successfully on investment opportunities or to obtain or retain business. The FCPA and foreign analogs require certain companies to adopt anti-corruption policies,

procedures, training, and relevant internal controls; these requirements may cause the Partnerships or their portfolio companies to incur advisor fees. In recent years, U.S. regulators have been increasingly focused on private equity sponsors' compliance with the FCPA. Any policies and procedures that are to be adopted by FFL to comply with the FCPA or similar laws may not be effective in all instances to prevent violations. In addition, despite any policies that FFL seeks to implement at portfolio investments, portfolio companies or their affiliates could engage in activities that result in FCPA violations.

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

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

#### *Bankruptcy of Portfolio Companies*

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

#### *Communications and Media Regulatory Considerations*

Certain communications and media companies are subject to extensive U.S. federal, state, and local regulatory requirements. Certain regulations that are intended to limit the concentration of ownership and control of communications and media companies may prevent the Partnerships from making certain investments that they would otherwise make. Other regulations may cause the Partnerships to incur substantial additional costs or lengthy

delays in connection with the completion or disposition of such investments. In general, investors will be subject to special “insulating” provisions with respect to such investments.

#### *Unspecified Use of Proceeds*

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

#### *Dependence on Key Personnel*

The success of the Partnerships depends in substantial part on the skill and expertise of the partners and other employees of FFL participating in the Partnerships’ activities. There can be no assurance that the partners or other such employees of FFL will continue to be employed by FFL throughout the life of the Partnerships. The loss of key personnel could have a material adverse effect on the Partnerships.

#### *Reliance on Management of Portfolio Companies*

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

#### *Risks in Effecting Operating Improvements*

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

#### *Investments in Less Established Companies*

The Partnerships may invest a portion of its assets in the securities of less established companies. Investments in such growth companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by the Partnership, such securities may be subject

to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and are, therefore, often more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. There can be no assurance that any such losses will be offset by gains (if any) realized on each Partnership's other investments. In addition, less mature companies could be deemed to be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which each Partnership invests, the Partnership may suffer a partial or total loss of capital invested in that company.

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

#### *Environmental Matters*

The Partnerships may invest in portfolio companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements, and there can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on portfolio companies or potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on portfolio companies, and there can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the shareholders of a company (such as a Partnership) subject to environmental liability. However, a limited partner may reduce its risk of such personal liability by avoiding activities with respect to the portfolio companies other than as specifically contemplated by the relevant partnership agreement.

Global climate change is widely considered to be a significant threat to the global economy. Additionally, the Paris Agreement and other regulatory and voluntary initiatives launched



by international, federal, state, and regional policymakers and regulatory authorities, as well as private actors, seeking to reduce greenhouse gas emissions may expose businesses to so-called “transition risks” in addition to physical risks (e.g., changes in weather and climate patterns), such as: (i) political and policy risks; (ii) regulatory and litigation risks; (iii) technology and market risks and (iv) reputational risks. Although the Partnerships’ targeted investments do not fall within industries commonly identified as “carbon intensive” or directly addressing climate change, FFL cannot rule out the possibility that climate change-related risks could result in unanticipated expenses or other consequences, which could have a material adverse effect on an investment, or the Partnerships.

### *Regulatory Approvals*

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

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

### *Unfunded Pension Liabilities of Portfolio Companies*

In at least one circuit, a court found that, in certain circumstances, an investment fund could be treated as a “trade or business” for purposes of determining pension liability under ERISA.



Therefore, where an investment fund owns 80% or more (or possibly, under certain circumstances, less than 80%) of a portfolio company, such investment fund (and any other 80%-owned portfolio companies of such investment fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. The Partnership is permitted to invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Partnership owns an 80% or greater interest in such a portfolio company. If the Partnership (or other 80%-owned portfolio companies of the Partnership) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Partnership and the companies in which the Partnership invests. This discussion is based on current court decisions, statute, and regulations regarding control group liability under ERISA, as in effect as of the date of this submission, which may change in the future as the case law and guidance develops.

#### *Investments with Third Parties in Partnerships and Other Entities*

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

#### *Uncertainty of Financial Projections*

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

#### *Investments Longer than Term*

The Partnerships may make investments that may not be advantageously disposed of prior to the date each Partnership will be dissolved, either by expiration of the Partnership's term or otherwise. Although FFL expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the Firm has a limited ability to extend the term of each Partnership, the Partnership may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In

addition, there can be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to the investors will occur.

*Financial Institution Risk; Distress Events.*

An investment in the Partnership is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a “Financial Institution”) of some or all of the Partnership’s (or any portfolio company’s) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a “Distress Event”). Distress Events can be caused by factors including, but not limited to, eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, FFL, the General Partner, the Partnership or one or more of the Partnership’s portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an extended, potentially indeterminate, period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by government-sponsored organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the stated amounts are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose comparable risk of loss. While in recent years governmental intervention has resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that such intervention will occur in connection with any future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, delays or negative impacts on banking or brokerage conditions or markets.

Any Distress Event could have a potentially adverse effect on the ability of the General Partner to manage the Partnership and its investments, and on the ability of the General Partner, the Partnership and any portfolio company to maintain operations, which, in each case, could result in additional operational burdens, as well as significant losses and in unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event the Partnership is unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of the Partnership to access capital contributions or otherwise); the inability of the Partnership to acquire or dispose of investments, including at prices that the General Partner believes reflect the fair value of such investments; and the inability of FFL or portfolio companies to make payroll, fulfill obligations or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution’s services, it is also possible that FFL will experience additional operational burdens and expenses, and the Partnership or a portfolio company will incur additional expenses or delays, or incur additional expenses, in putting in place alternative arrangements, or that such alternative arrangements will be less favorable than those

formerly in place (with respect to economic terms, service levels, availability, access to capital or otherwise). To the extent the General Partner is able to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses, delays or other negative impacts. The Partnership and its portfolio companies are subject to similar risks as well as additional risks, including an enhanced risk of investor defaults, if a Financial Institution utilized by investors in the Partnership or by suppliers, vendors, contractors, service providers or other counterparties of the Partnership or a portfolio company becomes subject to a Distress Event, which could have a material adverse effect on the Partnership and/or one or more of its portfolio companies.

Many Financial Institutions require, as a condition to using certain of their services (often including lending services), that the General Partner and/or the Partnership maintain all or a set amount or percentage of their respective accounts or assets with that Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although the General Partner seeks to do business with Financial Institutions that it believes are established, well-capitalized and capable of fulfilling their respective obligations to the Partnership, the General Partner is under no obligation to use a minimum number of Financial Institutions with respect to the Partnership or to maintain account balances at or below the relevant insured amounts. Under certain circumstances, such as receiving capital contributions pursuant to a capital call or proceeds from a disposition, the Partnership will not be able to maintain account balances at or below any relevant insured amounts.

### *Leveraged Investments*

A Partnership is permitted to make use of leverage by incurring or having a portfolio company or intermediate entity incur debt to finance all or a portion of certain investments, whether on a temporary or long-term basis. Leverage generally magnifies both such Partnership'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 (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and potentially will constrain its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Partnership's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Partnership's investments in the leveraged portfolio companies in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Partnership. In the event any portfolio company cannot generate adequate

cash flow to meet its debt service, a Partnership may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Partnership. Furthermore, should the credit markets be limited or costly at the time a Partnership determines that it is desirable to sell all or a part of a portfolio company, the Partnership may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which a Partnership invests generally will not be rated by a credit rating agency. Except where otherwise required by the relevant governing documents, a Partnership will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Partnership's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

A Partnership is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that such Partnership would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Partnership generally also will result in fees, interest expense and other costs to such Partnership that may not be covered by distributions made to such Partnership or appreciation of its investments. While Partnership-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such leverage may remain outstanding. A Partnership generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other Partnerships and entities managed by FFL or any of its affiliates, including through Partnership subsidiaries and other intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Partnership will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Partnership incurs leverage (or provides such guaranties), such amounts are permitted to be secured by commitments made by such Partnership's investors and such investors' contributions may be required to be made directly to the lenders instead of such Partnership.

To the extent a Partnership provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the governing documents, in which case the investment would be treated as a permanent investment of the Partnership. As a result, the relevant Partnership's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Partnership's investment limitations, certain of which exclude bridge financing investments.

### *Subscription Lines*

A Partnership generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations, including the acquisition, financing or refinancing

of the Partnership's investments, as well as to consolidate or make less frequent capital calls to limited partners. Partnership-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Partnership fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Partnership would likely be subordinate to the Partnership's obligations to a subscription line's creditors.

In addition, Partnership-level borrowing will result in additional 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, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Partnership's limited partners and the terms of the governing documents, 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 the relevant Partnership's cost of borrowing, Partnership-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Partnership's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Partnership-level borrowing typically delays the need for limited partners to make contributions to a Partnership, or results in short-term gains to a Partnership, which in certain circumstances enhances the relevant Partnership's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Partnership's carried interest arrangements will be met. In other circumstances the use of Partnership-level borrowing can increase the base of a Partnership's management fee calculation, such as during periods where management fees are based in whole or in part on an acquisition cost that includes a borrowing component. The use of Partnership-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Partnership's investment period, and cause or defer a related change in the basis of the relevant Partnership's management fee calculation under the governing documents. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Partnerships) as, to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Partnership nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Partnership and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in a Partnership or impose concentration or other limits on the Partnership's investments, and/or financial or other covenants, that could affect the implementation of the Partnership's investment strategy. 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. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other Partnership subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Partnership, resulting in a potential net benefit to the Partnership, or additional potential liquidity constraints or other burdens on the relevant portfolio company or Partnership subsidiary.

Partnership-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows a 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 Partnership. 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 General Partner is authorized to use Partnership-level borrowing to pay management fees and to reimburse the Advisor for expenses incurred on behalf of the relevant Partnership. A Partnership is also permitted to utilize Partnership-level borrowing when a 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 Partnership 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.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Partnership generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant General Partner, as reduced by the interest incurred by the relevant Partnership. Subject to any limitations in the governing documents, this scenario potentially incentivizes the

relevant General Partner to fund the acquisition and ongoing capital needs of a Partnership's investments and related expenses with the proceeds of such borrowings over a longer period in lieu of drawing down capital contributions on an as-needed basis.

#### *Material Non-Public Information*

FFL, their affiliates, and/or their directors, officers and personnel may come into possession of material non-public information concerning specific companies. Under applicable securities laws, this may limit FFL's flexibility to buy or sell portfolio securities issued by such companies. A Partnership's investment flexibility may be constrained as a consequence of FFL's inability to use such information for investment purposes. Alternatively, FFL and their affiliates may decline to receive material non-public information that it is entitled to receive on behalf of a Partnership, in order to avoid investment restrictions on the Partnership, even though access to such information might have been advantageous to the Partnership and other market participants are in possession of such information.

#### *Limited Access to Information*

Limited partners' rights to information regarding the Partnerships, the relevant General Partner or FFL generally will be specified, and in many cases strictly limited, by their governing documents. In particular, it is anticipated that each General Partner and its affiliates will obtain certain types of material information from or relating to a Partnership's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of FFL's control. Decisions by FFL or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Partnership may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor FFL and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Partnership's Advisory Committee generally may, by virtue of such participation, have more or earlier information about a Partnership and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Partnership succeeds in asserting confidentiality for requested documents and other materials, and FFL reserves the right to withhold certain information from investors subject to such laws for reasons relating to FFL's public reputation, business strategy or other reasons.

#### *No or Limited Availability of Insurance against Certain Catastrophic Losses*

Certain losses of a catastrophic nature, such as wars, earthquakes, typhoons, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments.



In general, losses related to terrorism are becoming harder and more expensive to insure against. Some insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total cost of casualty insurance for a property. As a result, all investments may not be insured against terrorism. If a major uninsured loss occurs, the Partnerships could lose both invested capital in and anticipated profits from the affected investments.

#### *Cyber Security Breaches and Identity Theft*

FFL's, the Partnerships' and its portfolio companies' information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. To the extent that FFL, the General Partners, the Partnerships or a portfolio company are subject to cyber-attack or other unauthorized access is gained to any of their systems, any of such entities will be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Although FFL has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, FFL, the Partnerships and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in FFL's, the Partnerships' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm FFL's, the Partnerships' and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims or otherwise affect their business and financial performance.

#### *Privacy Law Compliance Risk*

The adoption, interpretation and application of data protection and information security laws and regulations ("Privacy Laws") could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of FFL, the Partnerships and/or their portfolio companies, and as such could increase costs and require the dedication of additional time and resources to compliance for such entities. A failure to



comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and the Partnerships' performance. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens and the potential for significant liability for regulated entities, which could include FFL, the Partnerships and/or their portfolio companies.

#### *Dilution from Subsequent Closings*

Limited partners subscribing for Partnership interests at closings subsequent to the Partnership's initial closing will generally participate in existing investments, diluting the interest of existing limited partners therein. Although such limited partners will contribute their pro rata share of previously made drawdowns (plus additional amounts thereon), there can be no assurance that such contribution will reflect the fair value of existing investments at the time such limited partners subscribe for partnership interests.

#### *Public Health Emergencies; COVID-19*

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have resulted in historic market disruptions, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Partnerships.

Such public health emergencies could have a significant adverse impact and result in significant losses to the Partnerships. The extent of the impact on the Partnership's and their portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Partnerships to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Partnerships intend to pursue, all of which could adversely affect the Partnerships' ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Partnerships, their portfolio companies, the relevant General Partner and FFL may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity's personnel. These

measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

### *Inflation*

Inflation may affect Partnership performance in a number of ways. During periods of rising inflation, interest rates of any floating-rate instruments held by a Partnership or its subsidiaries have issued could increase, which would tend to reduce returns for the limited partners. Inflationary expectations or periods of rising inflation could also be accompanied by rising prices of goods and services that are critical to the operation of portfolio companies. The market value of the Partnership's portfolio companies may decline in value in times of higher inflation rates. Some of the Partnership's investments may have income linked to inflation, whether by regulation or contractual arrangement or other means. However, as inflation may affect both income and expenses, any increase in income may not be sufficient to cover increases in expenses.

Moreover, as inflation increases, the real value of the interests in the Partnerships and distributions therefrom can decline. If a Partnership is unable to increase the revenue and profits of its investments at times of higher inflation, it may be unable to pay out higher distributions to the partners to compensate for the decrease in value of the money, thereby affecting the expected return of investors. A Partnership could also be adversely affected if the market value of its investments declines during times of higher inflation.

### *Uncertain Economic, Social and Political Environment*

Consumer, corporate and financial confidence will be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social, or economic unrest. Such erosion of confidence will, in certain circumstances, lead to or extend a localized or global economic downturn. A climate of uncertainty often reduces the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn could have an adverse effect on the economy generally and on the ability of a Partnership and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This could slow the rate of future investments by such Partnership and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn could have an adverse effect upon such Partnership's portfolio companies.

### *Social Media and Publicity Risk*

The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation without independent or authoritative verification. Any such information or misinformation regarding FFL, the Partnerships or one or more portfolio companies could have a material and adverse effect on the value of the Partnerships.

## **Item 9: Disciplinary Information**

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

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

## **Item 10: Other Financial Industry Activities and Affiliations**

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

As with other private equity fund sponsors, the Firm and its personnel have developed many relationships with third parties that have the potential to raise conflicts of interest. Such third parties include, but are not limited to, investment bankers, brokers, finders (including executive finders and portfolio company finders), executives, consultants, professional

advisors (such as attorneys and accountants), private equity investors, family offices, lenders, former personnel and current and former directors, officers and personnel of current and former portfolio companies, as well as certain family members or close contacts of these persons. In other circumstances, these third parties are expected to provide personal banking, private wealth management or lending arrangements (including lending arrangements with respect to personal investments in or through FFL entities, whether or not relating to financing FFL personnel obligations to fund General Partners commitment obligations) and professional advice to FFL personnel and their estate planning vehicles. Certain third parties are expected to introduce investment opportunities, arrange for, or facilitate the financing, the purchase or recapitalization of potential portfolio companies, introduce portfolio companies to potential acquisition or merger candidates, provide investment banking, consulting or advisory services to the Firm, the Partnerships or portfolio companies, invest in the Partnerships or provide other significant business or investment services to the Firm, the Partnerships or portfolio companies. Such third parties are expected to receive compensation from the Firm, the Partnerships or portfolio companies for providing these services, which compensation and services are intended to be on an arm's length basis.

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

Pursuant to Rule 204A-1 of the Advisers Act, FFL has adopted a written Code of Ethics (the "Code"). The Code requires FFL and its affiliates and any partner or employee of FFL and its affiliates, or another designated individual ("Covered Persons") to act in the Partnerships' best interests, abide by all applicable regulations, and avoid any action that is legally or ethically improper.

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

### Other Conflicts of Interest

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

connection with the management and operations of the Partnerships. As FFL's investment program develops and changes over time, an investment in the Partnerships could be subject to additional and different conflicts. For the avoidance of doubt, notwithstanding anything herein or in the Partnerships' governing documents to the contrary, nothing herein or in the Partnerships' governing documents shall constitute a waiver of FFL's or any General Partner's federal fiduciary duties that are non-waivable under the Advisers Act.

#### *Risk of New Fund*

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

#### *Management of the Partnership*

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

FFL professionals expect to serve as board members of public companies or not-for-profit institutions and will be called upon to make recommendations as to the deployment of investable assets on behalf of the company or institution and as a result, conflicts of interest are expected to arise. FFL professionals are permitted to receive compensation in connection with such services and roles, none of which will offset or otherwise reduce management fees. FFL professionals will seek to avoid such conflicts by taking actions necessary to eliminate the conflicts; such actions could include but are not limited to, the professional recusing him/herself from participating in the decision to make such recommendations.

A General Partner generally is permitted to receive a distribution in kind from its Partnership, including in connection with investment dispositions or the payment in kind of amounts owed to the General Partner as carried interest (which generally will be made using the value of the relevant securities on the date of distribution). In such circumstances, there is a potential conflict of interest between the General Partner (and its beneficial owners) and the relevant Partnership's limited partners. For example, the General Partner and its beneficial owners may intend to hold the investment for a different time period than FFL deems suitable for the Partnership. Although the General Partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the

value of the relevant securities increases following the Partnership's disposition thereof, neither the relevant Partnership nor its limited partners will benefit from the increase, and over time the economic benefit to the General Partner and its beneficial owners could exceed the value of the General Partner's pro rata interest in the Partnership and the amount of carried interest owed. To the extent the beneficial owners of the General Partner contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Partnership or its limited partners.

#### *Portfolio Company Representation*

Employees of the Advisor expect to serve as directors and officers of certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of the Partnership, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of the Advisor and such individual's duties as a director or officer of such portfolio company.

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

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

#### *Relationship with Affiliated Partnerships*

FFL manages multiple Partnerships which invest primarily in private securities. Each Partnership expects to invest in portfolio companies in which one or more other Partnerships have also invested, either concurrently with such Partnerships or subsequent or prior to the investment by such Partnerships. Allocation of available investment opportunities between the Partnerships are subject to certain limitations as set forth in the governing documents and will be made by FFL in its good faith discretion in accordance with its allocation policy in effect at such time and, in certain circumstances, in consultation with the Advisory Committee for each Partnership. Factors relevant to such allocations may include, but are not limited to, investment restrictions and objectives (including those set forth in each relevant Partnership's governing documents, where applicable), strategy, risk profile, time horizon, asset composition, diversification limits, cash level (if any),

applicable tax and regulatory considerations, life cycle and structure. In other circumstances, during the period that a portfolio company is owned by a Partnership, it could become a suitable investment for one or more other Partnerships due to size, revenues, earnings or other characteristics.

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

### *Co-Investments*

FFL expects to offer co-investment opportunities and is permitted to do so in its sole discretion. It does not expect to offer co-investments with respect to all Partnership investments and is authorized to allocate any such opportunities in its sole discretion after FFL has determined that an appropriate portion of the investment opportunity has been taken by the Partnership(s) in accordance with the governing documents of such Partnership(s). Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Partnership, and FFL expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Partnership because (i) co-invest opportunities generally appeal to Partnership investors and third parties, (ii) to the extent co-investments made by Partnership investors are not subjected to management fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons, and (iii) co-investors' proportionate share of a particular investment is not subject to the management fee offset provisions of a Partnership's governing documents. FFL is authorized to offer a co-investment opportunity based on a variety of factors, including, for example, on the basis of the size of investor commitments to one or more of the Partnerships, investor decision-making process and timing, investor preferred investment size, or the nature and extent to which the investor provides services to FFL. Although a prospective co-investor's willingness to invest in future Partnerships are expected to be considered by FFL, it will not be the sole determining factor considered by FFL in identifying co-investors. FFL reserves the right to permit strategic partners, investors, consultants, advisors, Operating Team Members or other third parties to co-invest alongside the Partnerships. In addition, FFL is not required to allocate co-investments to any limited partner in priority to strategic partners, investors, consultants, advisors, Operating Team Members or other third parties or at all. FFL is also permitted to allocate co-investment opportunities to one or more limited partners to the exclusion of other limited partners, and the consideration of factors such as those set forth above may result in certain limited partners receiving multiple opportunities to co-invest, while other limited partners who are interested in co-investments receive none. There can be no assurances that any amount of any co-investment opportunity will be made available in connection with a Partnership. The performance of co-investments is not aggregated

with that of a Partnership, including for purposes of determining FFL's carried interest or management fees. A Partnership may provide interim financing for the purpose of bridging a potential co-investment (but only to the extent that the Partnership would have been permitted to make such investment). In such instances, FFL is authorized, where appropriate and in FFL's sole discretion, to charge interest on the purchase to the co-investor or co-investment vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Partnership for any related costs however, it is not required to do in which case the relevant Partnership would bear such costs. In addition, in order to facilitate the acquisition of a portfolio company, a Partnership reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Partnership will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner's interest in limiting the Partnership's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Partnership would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment.

FFL may or may not seek expense reimbursement or charge management fees, one-time funding or administrative fees, and/or carried interest in respect of co-investments, (as well as other fees relating to the structuring and administration of co-investment arrangements), and fee income attributable to co-investments may or may not be shared by FFL with co-investors, in each case as FFL determines in its sole discretion. FFL's allocation of any co-investment opportunities potentially will benefit FFL as a result of, among other things, the receipt of any such fees or carried interest or commitments by a co-investor to any other Partnership.

FFL expects to in its sole discretion structure any co-investment opportunity such that the proposed participants in such co-investment opportunity do not bear any broken deal expenses, with the result that a Partnership will bear all such broken deal expenses; provided, if so structured, that such participants will not be entitled to receive any break-up or similar fee income, if any, that may be earned with respect to such transaction. As a general matter, broken deal expenses are allocated among investors within a Partnership regardless of whether any individual investor negotiated for an elective or automatic



contractual right that would have excused them from participating in the investment. In most cases FFL does not expect that proposed participants in co-investments will bear broken deal expenses. Similarly, in the event that an investment opportunity for which a co-investment vehicle was not formed and/or for which prospective co-investment participants were not formally selected, but for which, in the judgment of FFL, a co-investment was believed necessary or would otherwise have been beneficial and ultimately not consummated, all broken deal expenses relating to such investment opportunity will be borne by the relevant Partnership(s), and not by any potential co-investors, that were to have participated in such investment opportunity. Consequently, a Partnership generally will bear all such broken deal expenses (and in such case will be entitled to any such break-up or similar fee income, although in certain instances a Partnership will bear all broken deal expenses without the benefit of any break-up or similar fees). FFL's practice of allocating broken deal expenses and other expenses relating to the diligence or evaluation of a prospective investment among investing Partnerships is discussed below. To the extent the Partnership makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

#### *Conflicts among or with Certain Limited Partners*

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

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

#### *Investment Management Sector Focus*

Certain Partnerships could invest in portfolio companies that are engaged in the investment management business. In seeking investment opportunities in the investment management sector, the Advisor is expected to be faced with a variety of potential conflicts of interest

(including but not limited to conflicts with a portfolio company of certain Partnerships). Any such conflict will be resolved as required by the Partnerships' governing documents or otherwise in a fair and equitable manner as determined by FFL.

#### *Portfolio Company Relationships*

A Partnership's portfolio companies are or will be counterparties to or participants in agreements, transactions or other arrangements with portfolio companies of other Partnerships, that, although FFL determines to be consistent with the requirements of such Partnerships' governing documents, would not have otherwise been entered into but for the affiliation with FFL. In certain circumstances, FFL expects to recommend products or services of one portfolio company to another. Potential conflicts of interest arise in making such recommendations, as FFL has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. In most cases, the relevant Partnership will not consent, participate in the negotiations or be directly involved in such arrangements. FFL may be a party to and benefit from discounted pricing under such agreements, transactions or arrangements, which are discounted due to scale. For example, under third party vendor agreements regarding a group purchasing program between certain of its portfolio companies, FFL receives substantially the same, but no better, pricing than its portfolio companies that participate in the program. Any such discounts received by FFL in connection with such agreements, transactions or arrangements will not reduce the management fees described herein. Discounted prices or better terms offered to FFL, any other portfolio company or third parties may affect the returns of a portfolio company.

#### *Recommendations of and Relationships with Service Providers*

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

FFL generally exercises its discretion to recommend to a Partnership or to a portfolio company thereof that it contracts for services with (i) a related person of FFL (including a

portfolio company of such Partnership), (ii) an entity with which FFL or its affiliates or current or former personnel has a relationship or from which FFL or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. This discretion subjects FFL to conflicts of interest, because although FFL selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Partnership, FFL may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that FFL, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Partnerships or FFL), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not FFL has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In connection with its services to the Partnerships and their investments, FFL, its affiliates, and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of FFL's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, FFL and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Partnership or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "FFL Information"). In many cases, FFL Information will include tools, procedures and resources developed by FFL to organize or systematize FFL Information for ongoing or future use. Although FFL expects its Partnerships and their portfolio companies generally to benefit from FFL's possession of FFL Information, it is possible that any benefits will be experienced solely by other or future Partnerships or portfolio companies (or by FFL and its personnel) and not by the Partnership or portfolio company from which FFL Information was originally received. FFL Information will be the sole intellectual property of FFL and solely for the use of FFL. FFL reserves the right to use, share, license, sell or monetize FFL Information, without offset to management fees, and the relevant Partnership or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Partnerships or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Partnerships or their respective investors; no such rewards will offset management fees.

### *Transactions Between Partnerships*

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

### *Cross-Guarantees Among Partnerships*

In certain circumstances lenders and other market parties negotiate for the right to face only select entities which may result in a single Partnership being solely liable for other Partnerships' share of the relevant obligation and/or joint and several liability among Partnerships. In each such case, FFL intends to cause the relevant other Partnerships to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Partnership undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements. In other circumstances, lenders and other market parties are expected to seek "cross default" rights

under which a Partnership will be treated as in default under the relevant facility in the event of a default by another Partnership or an FFL affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, a Partnership's limited partners could suffer adverse effects resulting from any default by any Partnership or an FFL affiliate, whether or not related to the Partnership in which such limited partners have invested.

### *Transfers of Partnership Interests*

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

### *Multiple Partnerships Investing in a Single Portfolio Company*

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

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

and the actions it takes on behalf of one Partnership versus another Partnership (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Partnership enters into any indebtedness with another Partnership on a joint and several basis, each such Partnership's General Partner is expected to enter into one or more agreements that provide such Partnership with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, FFL may be subject to conflicts of interest, for example between a Partnership with a reimbursement obligation and a Partnership seeking reimbursement. In certain circumstances, Partnerships could be prohibited from exercising (or FFL may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Partnership or the other may be subject to creditor claims regarding subordination of interests. FFL intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Partnership to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

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

#### *Secondaries and General Partner-Led Transactions*

In certain cases, FFL has and is permitted in the future to determine that it would be in the interest of a Partnership to provide an opportunity for limited partners to obtain liquidity for all or a portion of their interests in a Partnership or their interests in particular investments prior to the end of such Partnership's term. In such situations, FFL typically expects to seek to raise capital from third parties (including Partnership limited partners) who wish to directly or indirectly acquire interests in one or more portfolio companies from such Partnership, including through the creation of a new investment Partnership or similar continuation vehicle which would be advised by FFL, in which FFL invests, and from which FFL would receive fees and/or carried interest (in addition to any carried interest earned as a result of the sale of one or more portfolio companies by the original Partnership to such new vehicle). The Continuation Fund is one such continuation vehicle. FFL is authorized to, but will not be obligated to, offer for the selling limited partners to reinvest in the relevant

investment through the applicable continuation vehicle via roll-over equity and is permitted to make such reinvestment contingent on committing additional capital to the continuation vehicle. FFL also reserves the right to seek to require the new investors to make commitments to a successor Partnership and/or its parallel entities advised by FFL. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Partnership, and in such circumstances the Advisor reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. There can be no assurance that any such transaction will accurately reflect the fair market value of the Partnership investment(s) being sold. FFL or its affiliates also have the ability to invest in any such continuation vehicle, including, but not limited to, through a rollover of its existing ownership interest and/or carried interest entitlement. FFL is expected to face conflicts of interest in such transactions including because FFL and/or its affiliates will have the opportunity to earn additional management fees and/or receive additional carried interest and other economic benefits in respect of such transactions, and because new investors potentially will make investments in other FFL vehicles. FFL is generally permitted to invest in any such continuation vehicle. FFL is also expected to face potential conflicts in determining whether to pursue such transaction as opposed to other liquidity alternatives, and in determining the terms and participants in connection with such transaction. Such transactions will likely present other additional inherent conflicts of interest. Similar to any prospective sale or disposition of Partnership investments, to the extent a General Partner-led secondary transaction is not consummated, the Partnership would bear all or a significant portion of the related costs.

#### *Conflicts Related to Operating Team Members*

Operating Team Members are expected from time to time to include former personnel of FFL or certain portfolio companies, and in some circumstances former Operating Team Members are expected to become FFL personnel or personnel of portfolio companies. Consequently, the determination of whether individuals are Operating Team Members is expected to vary and/or be revisited. Operating Team Members who are personnel of FFL typically maintain certain benefits, support services and/or indicia of employment at FFL but receive all or a portion of their compensation from or in respect of the relevant portfolio company. These arrangements have the potential to create conflicts of interest, in that the amounts paid to such Operating Team Members by or in respect of portfolio companies do not result in additional offsets to the management fee of the relevant Partnership. Relationships between portfolio companies and Operating Team Members are often initiated to meet a temporary portfolio company need, and the arrangements between such Operating Team Members and the related portfolio companies are expected to fluctuate and/or expand over time, and in many cases will be terminated when the portfolio company is sold. Operating Team Members who are personnel of FFL may or may not return to FFL



at the end of such an interim arrangement. Under any of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount of tangible work product generated by the Operating Team Member. See Item 14 for additional discussion of Operating Team Members.

### *Side Letters*

FFL and/or its affiliates reserve the right to enter into side letters with certain investors in a Partnership providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Side letters may also relate to strategic relationships under which an investor agrees to make commitments to multiple Partnerships. Except in the circumstances and on the timing required by the relevant Partnership's governing documents and/or applicable law, other investors will not receive copies of side letters or related provisions, and as a general matter, the other investors have no recourse against each Partnership, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. Side letters subject FFL to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Partnership's Advisory Committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other side letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Partnership or of limited partners as a whole, including in the event that a side letter confers additional reporting, informational rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Partnership.

As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event a limited partner defaults on a drawdown in respect of an investment. Although FFL believes it is unlikely, excuse or other rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Partnership have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the FFL on behalf of the relevant Partnership as a whole. A limited



partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the governing documents; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Partnership. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Partnership.

### *U.S. Taxation of Carried Interest*

U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Partnerships as short-term capital gain (taxed at higher ordinary income rates) unless a Partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Partnership (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of such Partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Partnership, its General Partner, or FFL who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Partnership. This creates potential incentives for the Advisor to cause a Partnership to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

### *Resolution of Conflicts*

Each Partnership will establish an advisory committee consisting of representatives of investors not affiliated with FFL (the "Advisory Committee"). The Advisory Committee will meet as required by the governing documents of the relevant Partnership to consult with FFL as to, among other things, potential conflicts of interest. On any issue involving actual conflicts of interest, FFL will be guided by its good faith discretion. In the event that any matter arises that FFL determines constitutes conflict of interest between the Partnership, on the one hand, and FFL or its affiliates, on the other hand, FFL is permitted take such actions as it deems necessary or appropriate in good faith to mitigate the conflict (and, upon taking any actions approved by the Advisory Committee, FFL will be relieved of any potential liability resulting from the conflict of interest).

## Item 12: Brokerage Practices

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

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

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

## Item 13: Review of Accounts

FFL focuses on investments almost exclusively in private equity. All investment decisions are made by FFL's Senior Managing Members. FFL regularly reviews and monitors its portfolio companies. On a quarterly basis, FFL reviews the valuation of its portfolio

companies. On an annual basis, FFL subjects each investment to a re-underwriting. FFL also reviews each investment whenever there is a major company event or market shift affecting the company or its exit options. In these reviews and re-underwritings, FFL typically reexamines its investment hypothesis, updates forecasts of company performance, assesses the likely current exit opportunities and value, and projects the forward return opportunity available from continuing to hold the investment, taking into account possible future increases or decreases in multiples.

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

## Item 14: Client Referrals and Other Compensation

During a fundraising cycle for a Partnership, FFL is expected to compensate placement agents who solicit capital commitments from limited partners. Placement agent compensation will be paid by the Partnership but borne by FFL through a 100% offset against the management fee. Such fees are typically based on a percentage of capital commitments to a Partnership but also potentially include flat fees, retainers, bonuses and/or other amounts. The relevant Partnership will generally bear placement agent expenses. The use of a placement agent will be fully disclosed to the investors solicited by such placement agent.

FFL or its affiliates from time-to-time charge portfolio companies origination fees, breakup fees, consulting fees, monitoring fees and other similar fees (together, "Fee Income"), and generally have discretion to set the amount of such Fee Income. In most circumstances, such Fee Income is not reviewed or approved by an independent third party.

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

Subject to the discussion below regarding Operating Team Members, a percentage (generally based on the Partnership's percentage ownership of the portfolio company

excluding the interest of the General Partner and its affiliates in the Partnerships) of certain components of such Fee Income and Director's Fees (in each case, net of unreimbursed expenses related thereto) that are received by FFL or any of its affiliates will be applied to reduce the management fee otherwise payable to FFL by a Partnership as follows:

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

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

100% of the sum of all Directors' Fees, transaction fees, investment banking fees, break-up fees, advisory fees, monitoring fees or other similar fees (including any such fees received in connection with consummation of the Continuation Fund transaction) received by the Continuation Fund general partner, FFL or their affiliates in connection with consummated or follow-on investments allocable to the capital commitments of all new investors, net of any related expenses, will be applied to reduce the management fee payable by new investors. The Continuation Fund general partner, FFL or their affiliates will retain any such fees attributable to the limited partners who roll their interests.

Fee Income excludes the receipt of expense reimbursements from portfolio companies noted in Item 5. As a matter of practice, FFL typically earns Fee Income from or with respect to co-investors (including co-investment vehicles managed by FFL, third parties, portfolio company management or employees and/or others) in an investment. Fee income attributable to co-investors generally will not be shared with the Partnerships and typically will be retained by FFL. The receipt of such Fee Income will not reduce the management fee payable by any Partnerships that have also invested in such investment. As a result, a Partnership will, in most cases, only benefit with respect to the relevant allocable portion on a fully diluted basis of any such Fee Income and not the portion of any Fee Income related to the General Partner or affiliated partner commitments or income that relates to such co-investors or potential co-investors, which have the potential to be significant.

Operating Team Members could assist FFL Operating Activities and, in many instances, receive cash Operating Team Compensation for such assistance as well as in their capacity as directors or personnel of a portfolio company, including a platform or other holding company, or in connection with other operations capacities. Any such amounts (including without limitation, salaries, additional investment rights, discretionary bonuses (whether or not based on pre-determined milestones), and similar cash and non-cash compensation and incentives, and reimbursement for reasonable expenses incurred while providing such services) received, directly or indirectly, by such Operating Team Members in respect of such portfolio companies will not reduce the management fee otherwise payable by a Partnership to FFL and will be borne by a Partnership or such portfolio companies.

Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Partnership's investment, and has the potential to result in economic effects greater than the original amount of compensation, and the relevant Partnership typically will bear the costs of all Operating Team Members' compensation as well as fees, costs and expenses of structuring Operating Team Member arrangements. Therefore, all or a portion of such amounts will indirectly be borne by a Partnership and not by FFL via the Partnership's ownership interest in such portfolio companies.

Operating Team Members could also independently engage in activities or assignments unrelated to FFL or the portfolio companies. Any amounts received, directly or indirectly, by such Operating Team Members in respect of such unrelated assignments will not reduce the management fee otherwise payable by a Partnership to FFL.

## Item 15: Custody

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

## Item 16: Investment Discretion

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

## Item 17: Voting Client Securities

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

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

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

## Item 18: Financial Information

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