

PART 2A FORM ADV
FIRM BROCHURE

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March 2014

This brochure provides information about the qualifications and business practices of Freeman Spogli Management Co., L.P. If you have any questions about the contents of this brochure, please contact William M. Wardlaw at (310) 444-1822. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Freeman Spogli Management Co., L.P. also is available on the SEC’s website at www.adviserinfo.sec.gov.

Freeman Spogli Management Co., L.P. is an investment adviser registered with the SEC. Being a “registered investor adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.

THIS BROCHURE IS NOT AN OFFER TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES.

Item 2. Material Changes

Although our business practices that we are required to describe in this Form ADV Part 2A (or“**brochure**”) have not materially changed since the prior filing of our last brochure dated March 2013, we have made some enhancements to the disclosures in this brochure, but have no material changes to discuss in this Item 2. We encourage you, however, to carefully read this brochure in its entirety.

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Item 4. Advisory Business

A. Organization and Ownership

Freeman Spogli Management Co., L.P. (“**Freeman Spogli**” or the “**Firm**”), formerly known as Freeman Spogli & Co. VI, L.P., is a Delaware limited partnership that was organized in 2008. The owners of the Firm are Bradford M. Freeman, Ronald P. Spogli, John M. Roth, J. Frederick Simmons, Todd W. Holloran, Jon D. Ralph, Brad J. Brutocao, Benjamin D. Geiger and William M. Wardlaw.

B. Advisory Services

The Firm currently serves as the investment adviser to the following three private equity funds (the “**FS Funds**”) and parallel investment entities that invest proportionately with a Fund in all investments on substantially the same terms and conditions subject to applicable tax, legal, or regulatory constraints (the “**Parallel Funds**”), each a Delaware limited partnership (each of the FS Funds and the Parallel Funds, a “**Fund**” and together, the “**Funds**”):

- FS Equity Partners IV, L.P. (“**Fund IV**”) was formed to make investments primarily in equity and equity-related securities issued in corporate acquisitions of consumer-related companies in the United States. Fund IV is not accepting new investors except for transfers. The commitment period for Fund IV has expired and the Fund has entered its liquidation phase.
- FS Equity Partners V, L.P. (“**Fund V**”) was formed to make investments primarily in equity and equity-related securities issued in corporate acquisitions of retail, direct marketing, catalog, and distribution businesses in the United States. FS Affiliates V, L.P. (“**Affiliates V**”) limits its investments to only those investments in which Fund V participates. Fund V and Affiliates V are not accepting new investors except for transfers. The commitment period for Fund V and Affiliates V has expired.
- FS Equity Partners VI, L.P. (“**Fund VI**”) was formed to make investments primarily in equity and equity-related securities issued in corporate acquisitions of retail, distribution, direct marketing, consumer products and retail services businesses in the United States. FS Affiliates VI, L.P. (“**Affiliates VI**”) limits its investments to only those investments in which Fund VI participates. Fund VI and Affiliates VI are not accepting new investors except for transfers.

The Funds are dedicated exclusively to investing and partnering with management in

companies positioned for strong growth and equity appreciation. The Funds make investments in equity and equity-related securities issued in corporate acquisitions organized and led by the Firm. Each Fund's primary investment focus is on middle- market companies in the retailing, direct marketing, and distribution industries in the United States, and the catalog industry (in the case of Fund V). In addition, Fund VI and Affiliates VI also target acquisitions of companies that provide services to retailers and certain types of consumer product companies (together with the retailing, direct marketing, distribution and catalog industries, the "**Target Sectors**"). The Firm's management and administrative services include investigating, structuring and negotiating potential investments, monitoring the performance of portfolio companies in which the Funds invest, and advising the Funds as to exit strategies from such portfolio investments.

The investments of the Funds are subject to certain diversification limitations set forth in their constituent documents. Generally, not more than 15% of the aggregate capital commitments of any Fund can be invested in any single portfolio company and its affiliates without the consent of the investing Fund's advisory committee. Further, the Funds are generally limited in their ability to invest outside the Target Sectors (as defined above).

In addition to the advisory services described in the preceding paragraphs, the Firm and its employees and affiliates may provide certain consulting services to portfolio companies in which the Funds have invested.

C. Tailoring of Investment Advice

The Firm provides investment management advice in accordance with the investment objectives and guidelines set forth in each Fund's constituent documents and offering memoranda, as applicable.

D. Wrap Fee Programs

The Firm does not participate in any wrap fee programs.

E. Assets Under Management

The Firm manages the assets of each Fund on a discretionary basis. As of December 31, 2013, the amount of assets held by the Funds was approximately \$1,356,557,088 including uncalled commitments.

Item 5. Fees and Compensation

A. Management Fees

Each of the FS Funds will pay the Firm an annual management fee that is a specified percentage of either the limited partners' capital commitments or the FS Fund's invested capital (depending upon whether the FS Fund is still permitted to call capital from limited partners for new investment). Until the end of a FS Fund's commitment period or the closing of a subsequent fund, management fee rates are approximately 1.5% per annum of the limited partners' capital commitments to the FS Fund. Thereafter, management fee rates are typically in the range of 0.5% to 0.75% per annum of the FS Fund's invested capital. Parallel Funds do not pay management fees.

Affiliates of the Firm are also entitled to receive from each Fund performance -based compensation ("**Carried Interest**") as further described in **Item 6** below. The specifics of each fee arrangement are negotiated for each Fund and are set forth in the limited partnership agreement related to the specific Fund.

B. Payment of Management Fees

The general partner of each FS Fund calls capital from investors not affiliated with the Firm in each respective FS Fund for payment of management fees. Management fees are then paid by each of the FS Funds to the Firm. Certain fees received by the Firm or its affiliates from a FS Fund's portfolio companies as further described in **Item 5.C** below will be credited as an offset of such FS Fund's management fee.

C. Other Fees

Each Fund generally bears all expenses relating to its activities (to the extent not reimbursed by a portfolio company), including any management fee, legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of their financial statements and tax returns), expenses of the advisory committee, insurance and other expenses associated with the acquisition, holding and disposition of their investments (other than ordinary overhead expenses assumed by the Firm), all third- party expenses in connection with transactions not consummated, and extraordinary expenses (such as litigation), and other expenses as described in each Fund's limited partnership agreement.

Further, as described in **Item 10.C** and **Item 11.B** the portfolio companies in which a Fund invests may pay directors' fees, transaction fees, consulting fees, advisory fees, monitoring fees, break-up fees and other fees ("**Transaction and Monitoring Fees**") to the Firm, the general

partner of the Fund or any of their respective employees in connection with the consummation, holding or disposition of a portfolio company investment or the termination of an unconsummated investment by the Fund. Any such Transaction and Monitoring Fees received by the general partner of a Fund or any of their respective employees will be remitted to the Firm. As noted in **Item 5.B** above, in general, a percentage of such fees received by the Firm, the general partner of the Fund or any of their respective employees (after a deduction for applicable expenses) will be credited toward an offset of the management fee. The remainder will be retained by the Firm.

D. Fees Payable in Advance

Until the earlier of the end of a FS Fund's commitment period or the initial closing of a subsequent FS Fund, the management fees are paid semi-annually (i) on each January 8, such payment to be applied to the management fee for the period from January 1 to June 30, and (ii) on each July 8, such payment to be applied to the management fee for the period from July 1 to December 31. Thereafter, for all FS Funds except Fund IV, the management fees are paid quarterly, in advance, on each January 1, April 1, July 1 and October 1.

In the event a FS Fund overpays the management fee for any period payable in advance (whether by reason of a change in the calculation of the management fee, a termination of the management fee, or otherwise), the excess payment will either be credited against the amount due for the next payment or refunded.

If the Firm is removed as the investment adviser to a FS Fund, the Firm will be entitled to the management fee relating to the full period, as applicable, during which it was removed, unless it was removed for malfeasance, in which case the portion of the management fee for any partial period after the date of removal will be returned.

E. Compensation for the Sale of Securities

Neither the Firm nor any of its supervised persons accepts any compensation for the sale of securities or other investment products, including units of ownership ("**Interests**") in the Funds.

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

Performance-Based Profits Allocations

As noted in **Item 5.A** above, certain affiliates of the Firm are entitled to receive distributions of Carried Interest from each Fund, generally equal to 20% of the applicable profits after capital contributions have been returned to investors in the Fund, the Fund's investors have received certain amounts under the terms of the Fund's Private Placement Memorandum, if any (the "**Preferred Return**"), if any, and other requirements are met, each as further described in the applicable Fund's limited partnership agreement.

Potential Conflicts of Interest

A potential conflict of interest arises where the financial or other benefits available to an investment adviser differ among its clients, as such benefits may incentivize an investment adviser to favor those clients that are associated with such greater potential financial or other benefits for the investment adviser. In addition, the fact that the compensation of certain affiliates of the Firm is based on the performance of the Funds may create an incentive for the Firm to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of a performance-based Carried Interest distribution.

The terms of the Carried Interest could also give the Firm an incentive to make decisions regarding the timing and structure of realization transactions that may not be in the best interests of investors. For example, the general partner of a Fund, an affiliate of the Firm, would be in a position to receive Carried Interest distributions earlier if profitable investments are liquidated prior to investments that are not profitable because, at the time proceeds from such profitable investments are liquidated, the general partner would not be required to first distribute capital to limited partners to make up for prior losses associated with unprofitable investments although the Firm would be required to take into account any write downs, as discussed below.

The Carried Interest also creates a potential conflict of interest for the Firm in valuing investments. For example, the general partner of a Fund, an affiliate of the Firm, will not receive a Carried Interest until the limited partners in such Fund receive distributions equal to their share of any write downs that were not taken into account for prior distributions. This creates an incentive for the Firm to avoid writing down the value of assets that are not readily marketable or difficult to value because the general partner will be in a position to receive a higher Carried Interest.

Item 7. Types of Clients

Each Fund is a client of the Firm. As further described in **Item 4** above, the Firm provides investment advice to the Funds and makes investment decisions on behalf of the Funds consistent with the stated investment objectives set forth in each Fund's respective constituent documents.

The Funds generally accept potential investors who are "accredited investors" as defined in Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**") and "qualified purchasers" as that term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**").

All of the Funds are closed to new investors, except for transfers. The minimum initial investment in a FS Fund is generally \$10 million, subject to waiver. The minimum investment in a Parallel Fund is \$250,000, subject to waiver. The Firm (or its affiliates) is permitted to waive these minimum investment amounts at any time for any prospective investor. Generally, consultants, officers and members of the Firm and its affiliates, as well as current and former officers of portfolio companies of the Funds, are permitted to invest in the Parallel Funds, pursuant to the limitations discussed above. Additional requirements for investing in each of the Funds are stated in the offering document for such Fund.

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

INVESTMENT STRATEGY

For the purposes of this Item 8, the term “Freeman Spogli” shall include Freeman Spogli and its affiliates and predecessors, including, but not limited to, Freeman Spogli & Co., which has managed certain pooled investment vehicle clients since 1983.

Freeman Spogli’s investment strategy is characterized by the following key components:

- Target Sectors Expertise
- Middle-Market Focus
- Identification of Businesses with Transformational Opportunities
- Partnership with Proven Management Teams
- Preference for Control
- Utilization of Industry Executives
- Post-Acquisition Engagement

TARGET SECTORS EXPERTISE

Freeman Spogli is a leading investor in the Target Sectors. Over the years, the Firm has gained specialized industry knowledge, experience, and relationships which enable it to effectively source deals and grow companies. The Firm has increased its focus on these sectors over time for several reasons, including the compelling long-term industry fundamentals and numerous investment opportunities.

Freeman Spogli believes it is well positioned to invest in the Target Sectors due to the substantial market expertise it has gained, the extensive network of relationships it has built, and the attractive deal flow it has generated in these sectors. The Firm has invested in the Target Sectors for three decades, and over the last 15 years has invested exclusively in these areas. Freeman Spogli believes that its specialized investment focus has a number of advantages, including the ability to:

- Source and create investment opportunities
- Differentiate the Firm and generate focused attention from intermediaries
- Position the Firm to be a preferred investment partner for management and other investors
- Conduct more in-depth and effective due diligence
- Build credibility with financing partners
- Recruit proven talent to strengthen management teams

- Share best practices among portfolio companies
- Identify operating improvements and strategic opportunities
- Create potential monetization opportunities for portfolio companies

MIDDLE-MARKET FOCUS

Freeman Spogli focuses on the middle-market, with transactions typically ranging from \$100 million to \$750 million in enterprise value and equity investments generally ranging from \$50 million to \$150 million. The Firm believes that there are numerous companies of this size that present attractive investment opportunities. First, companies of this size are large enough to attract superior management and develop sustainable competitive advantages in products, markets, or channels of distribution. Second, these companies are small enough that management and the Firm can identify and execute strategies that can substantially increase shareholder value. Third, middle-market transactions are small enough that they are financeable even in challenging capital markets. Finally, companies of this size provide greater flexibility in an exit because they are large enough to be attractive to the public market but small enough to be of interest to a wide range of strategic or financial acquirors.

IDENTIFICATION OF BUSINESSES WITH TRANSFORMATIONAL OPPORTUNITIES

Freeman Spogli believes that the key to creating value is through long-term earnings growth rather than through the utilization of high leverage. As part of this approach, the Firm invests in companies that have established defensible market positions in products, channels, or geographic niches. The Firm is particularly attracted to situations in which its in-depth knowledge of the target's particular sector allows the Firm to identify areas of potential operating improvement or strategic initiatives that may help transform a company and increase its value. Many of the middle-market companies in which Freeman Spogli invests have untapped earnings potential that can be realized through complementary acquisitions, geographic expansion, capital investment, management upgrades, and new operating strategies. Often, these companies are constrained by a lack of capital, management time, or experience and are unable to capitalize on these opportunities. The presence of a hands-on financial partner provides portfolio companies with the guidance and resources to pursue strategic growth. Freeman Spogli's industry specialization enables it to judge whether a particular company in the Target Sectors has the type of growth potential that is expected to result in superior investment returns.

PARTNERSHIP WITH PROVEN MANAGEMENT TEAMS

An integral part of Freeman Spogli's investment philosophy is to partner with strong management teams and enable them to become significant owners of their businesses. Freeman Spogli views the quality, depth, and commitment of management teams as critical elements of its investment evaluation. The Firm looks for management teams that are highly experienced yet open to

working with an active investment partner. The Firm will only invest in companies with management teams that make a significant investment in their respective companies. This approach not only aligns management's interests with the Firm's, but also provides additional incentive to management to further grow their companies. The Firm typically offers meaningful ownership positions to a broad group of management.

PREFERENCE FOR CONTROL

Freeman Spogli is an active, hands-on investor and typically seeks to acquire voting control of its portfolio companies to ensure the effective implementation of its post-acquisition strategies and to control the exit process. The ability to influence major strategic decisions such as acquisitions, growth initiatives, organizational development, and timing of exit contributes significantly to the successful stewardship of an investment. The Firm has held a control position in 40 of its 49 investments. Although the Firm prefers control investments, it will selectively consider minority investment opportunities where its industry knowledge and the board's voting composition allow the Firm to exert significant influence.

UTILIZATION OF INDUSTRY EXECUTIVES

Since 1993, the Firm has utilized the services of talented and experienced industry executives whom it retains as independent consultants ("Industry Executives). The Industry Executives assist Freeman Spogli in sourcing and evaluating investment opportunities and in developing and implementing growth strategies for portfolio companies with which they work. For their services, the Industry Executives receive a consulting fee from the Firm. In their capacities as directors, they also receive directors' fees directly from the portfolio companies paid in the form of cash and stock options. These directors' fees are not offset against the Firm's management fees. In addition, to ensure their interests are properly aligned with the Firm's, they invest directly in the portfolio companies for which they serve as directors. These executives have significant operating experience in the Target Sectors and have worked as independent consultants with Freeman Spogli for an average of ten years.

POST-ACQUISITION ENGAGEMENT

Freeman Spogli actively participates in the development and growth of each of its portfolio companies. Immediately following an investment, the Firm holds post-closing long-term planning sessions with management to develop specific value enhancement programs. Thereafter, the investment professionals serve on the board of directors of each portfolio company and typically communicate with members of senior management on a weekly basis. The Firm also hosts annual CEO and CFO summits in which portfolio company senior executives discuss common issues facing their businesses and share best practices.

The Firm offers its portfolio companies assistance in areas where it has particular expertise or valuable contacts, such as development and implementation of strategic initiatives, identification and pursuit of add-on acquisitions, review of financing alternatives, recruitment of additional management personnel, and establishment of creative incentive-based compensation plans. In addition, the Industry Executives provide the Firm's portfolio companies with valuable operating expertise.

The Firm has been extremely active in pursuing add-on acquisitions for portfolio companies. Freeman Spogli believes that portfolio company add-on acquisitions can offer attractive returns because they capture operating synergies while leveraging the strengths of a solid platform and proven management team. As a result of this emphasis, portfolio companies have completed over 75 add-on acquisitions, supported by investments by Freeman Spogli representing 25% of the capital invested by the Firm's six institutional funds.

INVESTMENT PROCESS

Over the past 30 years, Freeman Spogli has pursued a disciplined process to acquire companies, manage risk, and create value. The Firm employs a five-step approach to investing:

- Proactive Deal Sourcing
- Rigorous Due Diligence
- Prudent Transaction Structuring
- Post-Closing Value Creation
- Opportunistic Monetization

PROACTIVE DEAL SOURCING

As a specialized firm with a targeted investment approach in the consumer and distribution sectors, Freeman Spogli has a competitive advantage with respect to deal sourcing. Over its 30-year history, Freeman Spogli has established strong relationships with intermediary firms in the Target Sectors. In addition to evaluating investment opportunities in connection with sale processes, the professionals of the Firm also proactively reach out to various intermediaries in order to generate new business ideas and stay in front of new deals coming to the market. Due to the increasingly fragmented and geographically dispersed nature of the deal community, this proactive communication is critical. As a result of this constant dialogue, the Firm has been able to attract non-auction, or limited auction, investment opportunities, as well as position itself on the shortlist of buyers in traditional sale processes in the Target Sectors.

The Firm also leverages its relationships with key executives in the consumer and distribution

sectors to assist in the identification of potential investments. Given its long-running focus on the Target Sectors, Freeman Spogli has an extensive network of executives that refers transactions and management teams to the Firm. Freeman Spogli also attends numerous industry events, trade shows, and conferences each year. By participating in these activities, the Firm's investment professionals are able to market Freeman Spogli's capabilities to sources of deal flow, establish relationships with management teams for potential future investment opportunities, and network with other investment professionals.

RIGOROUS DUE DILIGENCE

Freeman Spogli bases its investment decisions on extensive due diligence reviews to help identify and manage the risks and evaluate the growth opportunities associated with acquisitions. In an effort to identify a company's material strengths and weaknesses, the Firm conducts a thorough due diligence investigation of the potential portfolio company's historical and projected performance, industry fundamentals, competitive dynamics, management capabilities, growth opportunities, and other industry and company-specific factors. This due diligence effort is typically led by two partners of the Firm.

Freeman Spogli's due diligence investigations are enhanced by the Industry Executives who have operating expertise in the sector in which the potential portfolio company participates. In addition, Freeman Spogli engages third party consultants for each investment. In recent years, it has most frequently used The Parthenon Group or L.E.K. Consulting, both Boston-based management consulting firms, whose analytical work includes proprietary customer and vendor research. Freeman Spogli has found that this research provides a real-time view of customer perceptions of the target company and its competitors. These insights into the company's strengths, weaknesses, opportunities, and threats might not be evident from a traditional analysis of financial metrics or from dialogue with management. Freeman Spogli has maintained a close relationship with these two consulting firms, and their research has become an integral part of the Firm's due diligence process. Freeman Spogli also utilizes other industry consultants and due diligence professionals with expertise in law, tax, insurance, accounting, employee benefits, information systems, environmental regulations, and other disciplines.

PRUDENT TRANSACTION STRUCTURING

Freeman Spogli believes the keys to driving value creation are long-term earnings growth and cash flow generation. The Firm prefers management to focus on growing its business rather than managing a highly leveraged capital structure. The debt of each company is determined by such factors as predictability of cash flow, type of business model, and competitive dynamics. Investments are typically organized with a strong equity base to accommodate internal growth and facilitate add-on acquisitions. To provide for these growth objectives, Freeman Spogli typically utilizes less leverage than the financing markets make available for an investment. Finally, when

appropriate, the Firm employs creative structures, including seller paper, earnouts, and equity roll-overs to accommodate the needs of sellers.

POST-CLOSING VALUE CREATION

Freeman Spogli actively works to increase the value of its companies through both organic and acquisition growth. Members of the Firm participate in and often take the lead on strategic initiatives, acquisitions, and financings pursued by portfolio companies. In addition, Freeman Spogli utilizes the pre-closing due diligence work of The Parthenon Group or L.E.K. Consulting to assist the Firm in identifying areas for improvement. In some cases, the portfolio company will engage Parthenon or L.E.K. post-closing to further explore an area of value creation that was identified in the due diligence phase of the investment. Freeman Spogli has helped build value in its portfolio companies through a wide range of efforts, including:

- Identifying and completing complementary acquisitions
- Refining unit expansion plans
- Developing new merchandising programs
- Introducing expense controls
- Implementing new digital, social, and traditional marketing initiatives
- Developing omni-channel strategies
- Sharing best operating practices
- Recruiting senior management
- Improving distribution networks

One of the most significant value creation strategies that the Firm has consistently relied on is geographic expansion through both organic and acquisition growth. This can include new locations for a consumer business or additional warehouse facilities for a distributor. The Firm is well-equipped to help portfolio companies pursue their growth initiatives because of its understanding of unit-level economics, knowledge of national and regional competitors, and experience with real estate.

OPPORTUNISTIC MONETIZATION

Freeman Spogli takes an opportunistic approach to monetization. Decisions regarding exit timing and methodology are based primarily on expectations regarding a portfolio company's future operations and general conditions in the capital markets. The Firm typically anticipates a four- to seven-year holding period for its investments. Freeman Spogli's fully realized investments have been held for a weighted average of 6.2 years. The Firm seeks to generate strong multiples of

investment over the long term, as opposed to “quick flips” which can generate high internal rates of return but only over a short period of time.

Freeman Spogli has demonstrated the ability to monetize investments through various market environments and several different exit methods, including sales to strategic and financial buyers, initial public offerings, secondary trades, and recapitalizations. Over the last 30 years, the Firm has had a balanced approach to realizing investments, with approximately 39% coming from public market sales, 31% from sales to strategic buyers, and 20% from sales to financial sponsors. As a result, the Firm is not reliant on any one particular exit method to monetize its investments.

Given Freeman Spogli’s history investing in high growth companies, the Firm has extensive experience helping companies prepare for and execute initial public offerings. More importantly, Freeman Spogli helps its portfolio companies develop the long-term strategic plans and processes necessary to thrive as a public company long after the IPO. To date, 14 Freeman Spogli portfolio companies have successfully completed initial public offerings.

Investments and Risk of Loss

An investment in a Fund involves various risks, including the risk that an investor may lose capital. There is no guarantee of a Fund’s successful performance, that a Fund’s investment objective can be reached or that a positive return will be achieved. As a general rule, investors should expect that investments with higher return potential will also have higher potential of risk of loss to capital and/or income. A Fund itself is not a balanced investment program for purposes of an investor’s portfolio diversification needs and, therefore, investors should consult with their own financial advisers for the appropriateness of an investment in a Fund for their overall investment program. In addition to the information set forth in a Fund’s offering document (the “**Private Placement Memorandum**”), a prospective investor in a Fund should consider the following factors and other considerations. The following risk factors do not purport to be a complete examination of all of the risks involved.

RISKS RELATING TO FUND INVESTMENTS

Control Investments and Directorships

A Fund will acquire control positions in certain companies in which it invests. Additionally, officers and employees of the Fund’s general partner (the “**General Partner**”) or investment manager (the “**Manager**”) may serve as directors of portfolio companies in which a Fund invests. The exercise of control over a company through a control position, or the service of an officer or employee of the General Partner or the Manager as a director of such company, could (i) expose the assets of a Fund to claims by such company, its security holders and creditors or (ii) impose

additional risks of liability for failure to supervise management, violation of governmental regulations and other types of liability in which general limited liability protections are ignored. If these liabilities were to occur, a Fund, directly, and the Fund's partners indirectly, would likely suffer losses with respect to their investments.

Illiquid Nature of Portfolio Company Investments

A Fund will make investments in securities that have limited liquidity. It is anticipated there will be a significant period of time before a Fund has completed its investments in portfolio companies. Such investments may typically take from two to seven years from the date of initial investment to reach a state of maturity when partial or complete realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of a Fund's investment prior to that time. Generally, there will be no readily available market for a substantial amount of a Fund's portfolio investments. Most investments held by a Fund may not be able to be sold except pursuant to a registration statement filed under the Securities Act of 1933 ("**Securities Act**") or in accordance with Rule 144, Regulation D or another exemption under the Securities Act. The market prices, if any, of such investments tend to be volatile, and a Fund may not be able to sell such investments when it desires, or, upon sale, to realize what it perceives to be their fair value. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements applicable to publicly traded companies. In light of the foregoing, it is likely that no return from the disposition of a Fund's investments will occur until a significant period of time has passed. Furthermore, disposition of such investments may result in distributions in-kind to investors.

Portfolio Company Risks

A Fund will be invested in portfolio companies that may be subject to a high degree of business and/or financial risks. The portfolio companies may be distressed or have operating losses, or significant variations in operating results, and they may be engaged in a rapidly changing business subject to a substantial risk of competition and/or other significant challenges to their sustained operations and profitability. There can be no assurance that any portfolio company investment will be successful. In addition, a portfolio company may require substantial additional capital to support its operations, to finance expansion and/or to maintain its competitive position, or may otherwise have a weak financial condition. Certain portfolio companies in which a Fund will invest may face intense competition from larger and/or more experienced companies with greater financial and technical resources, more marketing and service capabilities and/or a greater number of qualified personnel.

General Economic Conditions; Market Dislocation

In 2008, global financial markets began to experience extraordinary market conditions, including

extreme losses and volatility in securities markets and failure of the credit markets to function. It is uncertain whether regulatory actions will be able to prevent further losses and volatility in securities markets or stimulate credit markets. Although financial markets have been generally experiencing a period of recovery, volatility remains and any future deterioration could have an adverse impact on a Fund. Disruptions in the financial markets may make it more difficult for a Fund to realize investments and may impact the market prices of securities and adversely affect the valuation of a Fund's investments.

The success of a Fund's activities, and of the portfolio companies in which a Fund will invest, will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Fund's investments), trade barriers, and political circumstances (including wars, terrorist acts or security operations).

Use of Leverage

While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. A Fund's investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, rising interest rates may increase portfolio company interest expense. If a portfolio company cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company. While the use of leverage will create opportunities to increase a Fund's returns, it also may increase a Fund's losses. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions such as those described above or a decreased appetite for risk by lenders) may materially impair a Fund's ability to consummate portfolio investments, to make leveraged distributions or to sell investments to buyers who utilize similar leverage strategies.

Initial Public Offerings

A Fund may invest in companies whose securities are subsequently sold pursuant to initial public offerings. Such securities have no public market prior to their initial offering and there is no assurance that (i) an active public market in such securities will develop or continue after their initial offering or (ii) the initial public offering price of such securities will be indicative of the market price for such securities after their initial offering.

Material, Non-Public Information

By reason of its investment in a portfolio company, a Fund may acquire confidential or material non-public information or otherwise be restricted from initiating transactions in certain securities. A Fund will not be able to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell securities of a portfolio company that it otherwise might have sold.

Minority Investments

A Fund may invest in minority positions of companies and in companies for which the Fund has no right to appoint a director or otherwise exert significant influence. In such cases, the Fund will rely significantly on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Fund is not affiliated and whose interests may conflict with the interests of the Fund. Where practicable and appropriate, a Fund generally will seek shareholder rights to protect its interests, but it may not always be possible to secure such rights.

Risk of Limited Number of Investments

A Fund may participate in a limited number of investments and, as a consequence, the aggregate return of the Fund may be substantially adversely affected by the unfavorable performance of even a single portfolio company. Other than as set forth in the partnership agreement of a Fund (“**Partnership Agreement**”), investors have no assurance as to the degree of diversification of a Fund’s portfolio investments. At a particular time, a Fund may have a significant portion or all of its investment capital in only one portfolio investment or a single Target Sector. Consequently, a Fund’s results will be more susceptible to adverse economic and business conditions. Where the General Partner intends to refinance all or a portion of the capital invested in a portfolio company, there is a risk that such refinancing may not be completed, which would increase the risk a Fund will have an unintended long-term investment as to such portion of the amount invested leading to reduced diversification.

Bridge Financings

From time to time, a Fund may lend to portfolio companies on a short-term, unsecured basis (a “**Bridge Financing**”) in anticipation of a future issuance of equity or long-term debt securities. During the initial one-year period that any Bridge Financing is outstanding, such Bridge Financing will be treated as a short-term investment and will not be subject to the Preferred Return or Carried Interest provisions outlined in the Partnership Agreement. To the extent that a Bridge Financing is not refinanced, sold or otherwise repaid within such one-year period, the Bridge Financing will be

treated as a permanent investment in the portfolio company.

Management Team of Portfolio Companies

Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the General Partner and/or the Manager will be responsible for monitoring the performance of each investment and intends to invest considerable time in contributing, directly and indirectly, to strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with a Fund's plans.

Foreign Investments

To the extent a Fund invests in companies organized or with substantial operations outside the United States, those investments will be subject to risks associated with foreign investment. These risks may include, but are not limited to, potential material adverse effects caused by inflation, currency devaluation, less developed entity and finance laws and regulations, exchange rate fluctuations, repatriation or exchange control regulation, withholding or other taxes, changes in government policies (including foreign investment policy and taxation), social instability and other political, economic or diplomatic developments in such countries.

Third Party Litigation

The investment activities of a Fund, particularly with respect to its relationships with portfolio companies (including participation on boards of directors), will subject a Fund to the risk of becoming involved in litigation brought by portfolio companies, their stockholders, their creditors and others. Generally, a Fund would bear the expense of defending against claims by such parties and paying amounts necessary to satisfy any settlements or judgments. If a Fund becomes subject to liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and may not be limited to any particular asset, such as the investment giving rise to a liability.

Valuation of Investments

A Fund will rely on its General Partner for valuation of its assets and liabilities. A Fund will primarily hold securities and other assets that will not have readily accessible market values. The valuation of illiquid securities and other assets is inherently subjective and subject to increase risk that the information utilized to value such assets or create pricing models may be inaccurate or subject to error. Due to a wide variety of market factors and the nature of certain securities and assets to be held by a Fund, there can be no guarantee that the value determined by the General

Partner will represent the value that will be realized by the Fund upon the disposition of the investment. The amount and timing of Carried Interest received by the General Partner may depend in part on the valuation of a Fund's assets and liabilities.

Risks Upon Disposition of Certain Investments

In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the limited partners to the extent of their commitments or previous distributions made to them.

RISKS RELATING TO AN INVESTMENT IN A FUND

General

Private equity involves a high degree of business and financial risk that may result in substantial losses. In order for a Fund to succeed, it must be able to accurately identify potentially successful enterprises, a process that is difficult even for those with extensive experience in the private equity field. Portfolio companies may be operating at a loss or with substantial variations in operating results from period to period and may need substantial amounts of additional capital to support expansion or to achieve or maintain a competitive position. Investment in a Fund is highly speculative, involves a high degree of risk and could result in the loss of part or all of an investor's capital. Therefore, prospective investors should not invest unless they can bear such a loss. Moreover, there can be no assurance that a Fund's investment objectives will be achieved and investment results may vary materially from one reporting period to the next. Consequently, an investment in a Fund is suitable only for sophisticated investors who are capable of making an informed and independent decision as to the risks involved in an investment in the Fund. Potential risk factors to consider prior to making an investment in a Fund include, but are not limited to, the factors discussed in the Fund's Private Placement Memorandum.

No Assurance of Investment Return; Past Performance

An investment in a Fund involves a significant degree of risk. The past investment performance of funds managed or advised by the Manager or any of its affiliates should not be relied on as an indicator of a Fund's future performance or success. There can be no assurance that a Fund will achieve results comparable to investments made by such predecessor funds. Past performance may include the positive or negative impact of general industry, economic and other factors, over which

none of the General Partner or the Manager had any control. Among other factors, the past performance of individual portfolio investments does not reflect the management fees, Carried Interest, taxes, transaction costs and other expenses to be borne by investors in a Fund, which in the aggregate are expected to be significant. The General Partner cannot provide assurance that it will be able to make and/or realize investments in any particular company or portfolio of companies. There is no assurance that a Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. A Fund may be subject to break-up fees in connection with investments which would cause the Fund to incur significant cost without any possibility of return. Even if investments of a Fund are successful, investors may not receive any return of capital for a significant period of time. An investment in a Fund should only be considered by persons who do not require current income and who can afford a loss of their entire investment.

Reliance on Freeman Spogli and its Principals

Decisions with respect to the management of a Fund will be made by its General Partner and Manager. An investor must rely upon the ability of the General Partner and/or Manager in identifying, structuring, and implementing investments consistent with a Fund's investment objective and policies. The success of a Fund will depend on the ability of the General Partner and/or the Manager to identify and consummate suitable investments, to improve the operating performance of portfolio companies and to dispose of investments of the Fund at a profit. The success of a Fund depends in substantial part upon the leadership, skill and expertise of certain key personnel of Freeman Spogli (the "Principals"). However, there can be no assurance that each of the Principals will continue to be affiliated with a Fund, the General Partner or the Manager throughout the Fund's anticipated term. In addition, the Principals will continue to have an interest in, and participate in the management and investments of other funds managed by the Manager or its affiliates.

Difficulty Locating Suitable Investments

A Fund will begin operations upon its initial closing and at that time may not have identified any specific investments. Investors in a Fund will not have the opportunity to evaluate the business, financial and other information that will be used by the General Partner and/or the Manager in their analysis, selection, and monitoring of portfolio company investments for the Fund. There can be no assurance that the General Partner and/or the Manager will be able to identify a sufficient number of attractive investment opportunities to invest fully a Fund's committed capital in opportunities that satisfy the Fund's investment objectives, or that such investment opportunities will lead to completed investments by the Fund. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

No Right to Control a Fund's Operations

Investors, as limited partners, will have no right or powers to take part in the management of a Fund or any of its investments and will not receive detailed financial information issued by portfolio companies which is available to the General Partner. In order to safeguard their limited liability from the liabilities and obligations of a Fund, Limited Partners must rely entirely on the General Partner and the Manager to conduct and manage the affairs of the Fund. Accordingly, no person should purchase Interests unless such person is willing to entrust all aspects of the management of the Fund to the General Partner and the Manager.

Diverse Investor Base

A Fund's limited partners will include taxable and tax-exempt entities and may include persons or entities organized in multiple jurisdictions. Because such investors may have conflicting investment, tax, and other interests with respect to their investment in a Fund, there may be conflicting interests between limited partners relating to the nature of the investments made by the Fund, the structuring of the Fund's investments, the timing of investment dispositions, and similar matters. For example, certain limited partners may be eligible to invest in an investment through a special purpose vehicle, which may result in different tax treatment. As a result, different returns may be realized by different limited partners. When considering a potential investment, a Fund's General Partner will consider the investment objectives of the Fund as a whole, not the investment objectives of any limited partner individually. Consequently, the General Partner may make decisions from time to time that may be more beneficial to one type of limited partner than another.

Illiquid Nature of Interests

There will be no public market for a Fund's Interests, and none is expected to develop. The Interests are not been registered under U.S. federal or state or any non-U.S. securities laws, and transfer of the Interests is subject to restrictions on resales imposed by federal and state securities laws. No Funds have no plans, and are under no obligation, to register the Interests under the Securities Act. In addition, pursuant to the Partnership Agreement, Interests generally will not be transferable, and investors generally will not be permitted to withdraw until the termination of a Fund. An investment in a Fund should be considered illiquid, and investors may not be able to liquidate their investments prior to the expiration of the Fund's term.

Operating History

A Fund and its General Partner may have recently begun operations and may have no operating history or track record and may not have identified any specific investments. Although the

Principals have extensive backgrounds in private equity investing, a Fund and its General Partner may be new entities and there can be no assurance that one or more investments made on behalf of the Fund will not result in losses. Although the Principals have demonstrated their ability as private equity investors in the past, there can be no assurance that a Fund will experience the same level of returns and there can be no assurance that an investment in a Fund will not result in losses.

Competition for Investments

A Fund is expected to encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships, business development companies and corporations, small business investment companies, large industrial and financial companies investing directly or through affiliates and individuals. Some of these competitors may have more relevant experience, greater financial resources and more personnel than the Fund's General Partner and the Manager. To the extent that a Fund encounters competition for investments, yields to its investors may decrease.

Diversification

The ability of a Fund to diversify its investments will depend upon the ultimate size of the investments relative to the size of the available investment opportunities. Although a Fund's Partnership Agreement generally will limit a Fund's ability to invest aggregate commitments in any one investment, the General Partner will have sole discretion within such limitations to select investments for the Fund. A Fund's General Partner is expected to make a range of investments that vary by type, location, risk profile, and maturity. However, unforeseen circumstances may cause it to limit the number of its investments or type of investment activity. In such a case, poor performance by one or more of its investments could severely affect the Fund's total returns and profitability.

Assessment of Value May Not Be Accurate

A Fund's success will depend in large part on the ability of its General Partner to accurately assess the fundamental value of the Fund's assets. An accurate assessment of fundamental value will depend on a complex analysis of a number of legal, financial, microeconomic, macroeconomic and other factors. No assurance can be given that the General Partner will accurately assess the nature and magnitude of the many factors having a bearing on the value of the Fund's assets. Further, no assurance can be given that all of the relevant factors or that all of the pertinent information will be considered by or be available to those persons in formulating any particular investment decision. The failure to consider any of those factors or to accurately assess the nature and magnitude of the relevant factors or pertinent information may cause a Fund to miss significant profit opportunities or to incur substantial losses.

Indemnification

A Fund will be required to indemnify its General Partner, Manager, the Principals, their respective affiliates and the members, managers, officers, directors, stockholders, partners, employees, agents and affiliates of each of the foregoing, as well as the Fund's advisory committee members and the limited partners they represent, for liabilities incurred in connection with the affairs of the Fund. Such liabilities may be material and have an adverse effect on the returns to the investors. The indemnification obligation of a Fund would be payable from the assets of the Fund, including the unfunded commitments. If the assets of a Fund are insufficient, the General Partner may recall distributions previously made to the partners.

Consequences of Default; Exclusion from Investments

In the event that a limited partner fails to fund any of its commitment when required, such limited partner's interest in a Fund and its investments may be reduced and such limited partner may be precluded from participating in further investments.

A limited partner may be excluded from participating in any investment if the Fund's General Partner determines that such participation is reasonably likely to jeopardize the ability of the Fund to consummate the proposed investment or result in a significant delay, extraordinary expense or material adverse effect on the Fund or any of its affiliates, any portfolio company or any future investment, or is reasonably likely to result in a violation of any law, regulation or order to which such limited partner, Fund or any of its affiliates is subject. If a limited partner is excluded from participating in an investment, it will not participate in the acquisition of the investment or in any income, gain, loss, deduction, credit or distribution with respect thereto. In the event that one or more limited partners are excluded from participating in an investment, the limited partners who are not excluded, all things being equal, may have a percentage ownership interest in certain investments that is greater than their percentage ownership interest in other investments, and their percentage Interest in the Fund as a whole may be greater than the percentage Interest of the excluded limited partners in the Fund as a whole.

Potential Regulatory Changes

As a result of recent highly-publicized financial scandals, investors, regulators and the general public have exhibited concerns over the integrity of both the U.S. financial markets and the regulatory oversight of these markets. As a result, the business environment in which a Fund operates is subject to heightened regulation. With respect to alternative asset management funds, in recent years, there has been debate in both U.S. and foreign governments about new rules or regulations, including increased oversight or taxation. As calls for additional regulation have increased, there may be a related increase in regulatory oversight of the trading and other investment activities of alternative asset management funds, including a Fund. Such oversight may

cause a Fund to incur additional expense, may divert the attention of its General Partner, its Manager and its senior management and may result in fines if the Fund is deemed to have violated any regulations.

Although potential regulatory changes are not yet known, such changes could have a meaningful impact on the financial industry. A Fund may be adversely affected if new or revised legislation or regulations are enacted, or by changes in the interpretation or enforcement of existing rules and regulations imposed by the SEC, other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets and their participants. Such changes could place limitations on the type of investor that can invest in a Fund or on the conditions under which the Fund may invest. Further, such changes may limit the scope of investing activities a Fund's General Partner may undertake for the Fund. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could be difficult and expensive and affect the manner in which a Fund conducts business, which could adversely affect the returns on the Fund's investments.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") has changed and is expected to continue changing the regulatory environment for alternative investment funds including a Fund. Dodd-Frank expands the registration requirements for investment advisers managing such funds, as well as subjecting large funds to supervisory oversight for purposes of assessing their potential to contribute to systemic risk. Although the Securities Exchange Commission (the "SEC") and other U.S. regulatory agencies have begun issuing rules and regulations to implement the requirements of Dodd-Frank, many of the provisions of Dodd-Frank still require the adoption of implementing regulations by the applicable agencies and, accordingly, it is not possible finally to assess Dodd-Frank's full impact on a Fund, its General Partner, or, in some cases, the instruments in which the Fund may invest. As the regulatory environment evolves, the results may require the incurrence of additional expense and may divert the attention of the General Partner, the Manager and its senior management. Compliance with any new laws or regulations could be difficult and may adversely affect the value of instruments held by a Fund or the ability of the Fund to pursue its investment strategy.

A Fund, its General Partner and/or its Manager may also be subject to regulation in jurisdictions in which they engage in business. Such regulations may have a significant impact on the limited partners or a Fund's operations, including, without limitation, restricting the types of investments the Fund may make, requiring the Fund to disclose the identity of its investors or otherwise. Prospective investors are encouraged to consult with their own professional advisors regarding an investment in a Fund.

Investments Longer than Term

A Fund may make investments that may not be advantageously disposed of prior to the date that the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although the Fund's General Partner expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the General Partner has a limited ability to extend the term of the Fund, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, all of a Fund's assets may not be liquidated or distributed in kind for a significant period of time following the Fund's dissolution date, which would delay the partners' receipt of their final liquidating distributions from the Fund.

Effect of Performance Based Compensation

The existence of Carried Interest compensation may create an incentive for a Fund's General Partner to make riskier or more speculative investments than it would otherwise make in the absence of such an arrangement.

Disclosure of Information

Certain limited partners may be subject to state public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding a Fund, its investments and its investors. There can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which a Fund, its General Partner, its Manager, their affiliates, portfolio companies or service providers to any of them may be or become subject.

Side Letters

A Fund's General Partner, its Manager and/or the Fund may enter into other written agreements ("**Side Letters**") with one or more limited partners. These Side Letters may entitle a limited partner to make an investment in the Fund on terms different from those in the Partnership Agreement. Any such terms, including with respect to (i) opting out of particular investments; (ii)

reporting obligations of the Fund; (iii) transfers to affiliates; (iv) co-investment opportunities; (v) withdrawal rights due to adverse tax or regulatory events; (vi) consent rights to certain Partnership Agreement amendments; or (vii) any other matters described in the Private Placement Memorandum, may be more favorable than those offered to any other limited partners.

Exempt Pool

Neither a Fund's General Partner nor its Manager is required to register as a commodity pool operator. Unlike registered commodity pool operators, a Fund's General Partner and Manager are not required to deliver to investors in a Fund the disclosure documents or certified annual reports contemplated by the rules of the Commodity Futures Trading Commission (the "CFTC"). In addition, a Fund's Private Placement Memorandum will not be required to be, and will not be, filed with the CFTC. The CFTC does not pass upon the merits of participating in a Fund or upon the adequacy or accuracy of its Private Placement Memorandum. Consequently, the CFTC has not reviewed or approved, and will not review or approve a Fund's offering, its Private Placement Memorandum, or any other offering memorandum for the Fund.

Compliance with Anti-Money Laundering Requirements

In response to increased regulatory concerns with respect to the sources of funds used in investments and other activities, a Fund's General Partner may request prospective and existing limited partners to provide additional documentation verifying, among other things, such limited partners' identity and source of funds used to purchase Interests in a Fund. The General Partner may decline to accept a subscription if this information is not provided or on the basis of such information that is provided. Requests for documentation and additional information may be made at any time during which a limited partner holds an Interest. The General Partner may be required to provide this information, or report the failure to comply with such requests, to appropriate governmental authorities, in certain circumstances without notifying the limited partners that the information has been provided. The General Partner will take such steps as it determines may be necessary to comply with applicable law, regulations, orders, directives or special measures. Governmental authorities are continuing to consider appropriate measures to implement anti-money laundering laws and at this point it is unclear what steps the General Partner may be required to take; however, these steps may include prohibiting a limited partner from making further contributions of capital to a Fund, depositing distributions to which a limited partner would otherwise be entitled to in an escrow account or causing the withdrawal of a limited partner from a Fund.

Suitability Under ERISA

A Fund should be viewed as a long-term investment vehicle. When considering an investment in a Fund, an employee benefit plan subject to the Employee Retirement Income Securities Act of

1974, as amended (“**ERISA**”) should consider whether the investment satisfies the requirements of ERISA, including whether the investment is prudent given the nature of the Fund.

ERISA Plan Assets Status

If participation in a Fund by benefit plan investors is “significant” within the meaning of the Department of Labor regulations, and the Fund does not otherwise qualify as a “venture capital operating company” (within the meaning of ERISA), the assets of the Fund will be treated as “plan assets” for purposes of ERISA. If the assets of the Fund are treated as “plan assets,” the Fund may be precluded from making certain investments or constrained from exercising certain rights with respect to investments by reason of an existing relationship between the entity in which the investment is or would be made (or its officers or shareholders) and an investing ERISA limited partner or due to its obligations to other ERISA plans.

Common Counsel

A law firm may act as counsel for a Fund in connection with the offering of Interests, and also as counsel to the Fund’s General Partner, the Manager and certain of their affiliates. If any controversy arises in which the interests of a Fund are in conflict with those of the General Partner, the Manager or their affiliates, other counsel may be retained for the Fund, the General Partner, the Manager or any of them, as the General Partner may decide in its sole discretion. In connection with an offering of Interests and ongoing advice to a Fund, its General Partner, the Manager and their respective affiliates, a law firm will not be representing investors in the Fund. No independent counsel will be retained to represent investors in a Fund.

POTENTIAL CONFLICTS OF INTEREST

While a Fund’s General Partner believes that its interests with respect to the success of the Fund will be aligned with the interests of the Partners, it is possible that conflicts of interest between the General Partner, the Manager, the Principals and their affiliates, on the one hand, and the Fund might arise.

Except as provided otherwise in the Partnership Agreement, the General Partner, the Manager, their affiliates, and their respective members, managers, directors, officers, partners, shareholders, employees and agents may directly or indirectly purchase, sell, hold or otherwise deal with investments for their own accounts, for their family members or for other clients, irrespective of whether such investments are purchased, sold, held or otherwise dealt with for the account of the Fund. A Limited Partner will not, solely by reason of being a partner in a Fund, have any right to participate in any manner in any profits or income earned or derived by or accruing to the General Partner, the Manager, their affiliates, and their respective members, managers, directors, officers,

partners, shareholders, employees and agents from the conduct of any business other than the business of the Fund or from any transaction or other investment effected by any such person for any account other than that of the Fund.

During a Fund's initial term (the "**Commitment Period**"), the General Partner will present to the Fund all privately negotiated investment opportunities that have been presented to the General Partner or any of the Principals that the General Partner reasonably believes to be suitable for the Partnership. The General Partner can allocate any such investment opportunity (in whole or in part) between the Partnership and any other funds managed by the Manager or its affiliates in such manner as it believes to be appropriate given each entity's investment focus, capacity for new investments, diversification requirements, scheduled termination date, and any other factors the General Partner determines to be relevant to such allocation decision. Notwithstanding the foregoing, the General Partner will not be required to offer a Fund the opportunity to invest in any investments in portfolio companies of any other fund or account managed by the Manager or its affiliates.

Without the consent of the Fund's advisory committee, none of a Fund's General Partner, Manager, Principals or their respective affiliates will (i) acquire or sell securities (other than securities it received as a distribution in kind from a Fund, any Parallel Fund, or any "alternative investment vehicle," as that term is used in a Fund's Private Placement Memorandum) of any portfolio company other than through its Interest in the Fund, any Parallel Fund, or any alternative investment vehicle, or (ii) borrow funds from the Fund. The prohibitions described in the preceding sentence will not apply to (i) any acquisition of securities pursuant to a merger, consolidation or transaction involving a portfolio company, (ii) any acquisition of securities made pursuant to preemptive rights or similar interests granted to all or substantially all holders of the same class of securities, (iii) any acquisition of securities by or on behalf of another fund or account managed by the Manager or its affiliates made concurrently with, at the same price, and on the same terms and conditions as, the acquisition of substantially identical securities in the same portfolio company by a Fund, any Parallel Fund, or any alternative investment vehicle, so long as the costs and expenses of such transaction are equitably prorated, (iv) any sale or distribution of securities by another fund or account managed by the Manager or its affiliates, provided that if such securities are substantially identical to and have equivalent liquidity as securities in the same portfolio company held by the Fund, any Parallel Fund, or any alternative investment vehicle, such sale or distribution must be made pro rata and substantially concurrently with, and on substantially the same terms and conditions as, the sale or distribution of the corresponding securities by such entities, (v) any sale of securities received in a distribution permitted to be made in clause (iv) above, and (vi) any acquisition of marketable securities.

None of the General Partner, the Manager, the Principals or their respective affiliates will be precluded from undertaking investment activities on behalf of persons in which any of them has an investment as of the date that a Fund has admitted an initial group of limited partners (the "**Initial**

Closing”).

A Fund’s advisory committee will have the right to review and approve or disapprove any potential conflicts of interest of the General Partner, the Manager, or their respective affiliates, or any transaction between any of them and the Fund, which decision will be binding on the subject person and the Fund.

The foregoing is a summary of certain significant risks relating to an investment in a fund. This summary is qualified in its entirety by a Fund’s Private Placement Memorandum, and should not be interpreted as a representation that the matters referred to herein are the only risks involved in an investment in a Fund, or that the magnitude of such risks is necessarily equal.

C. Risks Associated with Particular Types of Securities

Certain material risks generally related to the kinds of securities the Funds typically invest in are described in paragraph B of Item 8, above.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of or the integrity of the Firm or its management persons.

Item 10. Other Financial Industry Activities and Affiliations

A. Affiliated Broker-Dealers

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Affiliated Commodity Advisors

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

C. Other Affiliations and Conflicts of Interest

The Funds’ General Partners. As discussed in **Item 6** above, various affiliates of the Firm

serve as a general partner to each Fund and are entitled to receive performance- based Carried Interest distributions from the applicable Fund. In addition, as discussed in **Item 5.C** such general partner or its employees may receive Transaction and Monitoring Fees. The payment of Transaction and Monitoring Fees may create a conflict of interest, as the Firm may be incented to cause a portfolio company to increase such fees. Any such Transaction and Monitoring Fees received by the general partner of a Fund or any of their respective employees are required to be immediately remitted to the Firm. A percentage of such Transaction and Monitoring Fees are used to offset each Fund's management fee.

Parallel Funds, Alternative Investment Vehicles and Co-Investment Vehicles. The Firm has organized the Parallel Funds, which have similar investment policies as the FS Funds. To the extent that any such Parallel Fund participates in the investments made by an FS Fund, such Parallel Fund and the FS Fund will co-invest pro rata on the basis of available capital for each and, generally, on the same terms and conditions. The Firm may organize additional parallel funds with similar investment policies as a particular FS Fund in the future.

The Firm may also form alternative investment vehicles for a Fund making certain investments on behalf of one or more investors in such Fund and co-investment vehicles for the purpose of making certain co-investments with a Fund. The Firm may offer investment opportunities to alternative investment vehicles and co-investment vehicles on a case by case basis, generally on the same terms and conditions applicable to the Fund, and subject to the terms and conditions of the limited partnership agreement and management agreement related to the specific Fund.

For these reasons, the Firm does not believe that the activities of the Parallel Funds, any alternative investment vehicles or co-investment vehicles will conflict with the activities of the Firm.

Conflicts of Interest Among the Funds

The Firm believes that the investment policies, fee arrangements and other circumstances of each of the Funds have been structured such that situations in which the Firm and its affiliates have an economic incentive to make a decision that favors one Fund over the other Funds have been minimized. However, situations could arise whereby the Firm or its affiliates have an economic incentive to make a decision that favors one Fund above the other Funds.

For example, allocation of available investment opportunities among the Funds could give rise to conflicts of interest. In addition, the Firm may in the future establish one or more additional funds with investment objectives substantially similar to, or different from, those of an existing Fund. The Firm recognizes that it must allocate such investment opportunities in a manner that is fair to each of the Funds, in light of the facts and circumstances of each situation.

Such allocation procedures may take into account the amount of capital that a Fund has available to make the investment as well as the relative size of each Fund. The Firm has adopted the following general procedures to reduce potential conflicts of interests between its various Funds.

In order to seek to mitigate potential conflicts of interest between its various Funds, the Firm or its affiliates have established advisory committees, consisting of representatives of the investors in a Fund whom are not affiliated with the Firm. The advisory committees will meet as required to consult with the Firm as to potential conflicts of interest.

The unaffiliated investors of a Fund are expected to include persons or entities organized in various jurisdictions, which may have conflicting investment, tax and other interests in respect of their investments in the Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of portfolio investments, the purchase by the Fund of assets from a portfolio company where certain investors did not participate in the portfolio investment in such portfolio company, and the timing of disposition of investments. Such structuring of portfolio investments and other factors may result in different returns being realized by different investors in the same Fund. As a consequence, conflicts of interest may arise in connection with decisions made by the Firm, including in respect of the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially in respect of investors' individual tax situation.

Conflicts of Interest Related to Portfolio Companies Held by the Funds

The Funds may invest in portfolio companies that have competing business interests. In addition, a principal or employee of the Firm or a related person may, from time to time, serve as a director with respect to portfolio companies, the securities of which are purchased on behalf of the Funds. In the event that the Firm or a related person: (i) obtains material non-public information in such capacity with respect to a portfolio company or (ii) is subject to trading restrictions pursuant to the internal policies of the Firm or such portfolio company, the Firm may be prohibited from engaging in transactions with respect to the securities or instruments of the affected portfolio company. Such a prohibition may have an adverse effect on the Funds.

D. Recommendation of Other Investment Advisors

The Firm does not recommend or select other investment advisers for the Funds.

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

A. Code of Ethics

The Firm has adopted a code of ethics as part of its compliance manual (the “**Manual**”) pursuant to Rule 204A-1 under the Advisers Act, which imposes ethical standards and duties on the partners, members, owners, principals, directors, officers, supervisors, employees and certain other persons subject to the Firm’s control and supervision (collectively referred to herein as “**Covered Persons**”). The Manual is grounded on the principle that the Firm and Covered Persons owe a fiduciary duty to the Funds and that the interests of the Funds must always be placed above the business, financial and personal interests of the Firm and any Covered Persons.

The Manual sets forth standards of conduct expected of all Covered Persons and it requires Covered Persons to comply with applicable federal securities laws. Covered Persons are expected to be familiar with the Manual and adhere to its provisions. The Firm may address violations of the Manual by imposing sanctions it deems appropriate including, but not limited to, penalties, the disgorgement of trading gains and termination of employment. The Manual also requires any Covered Person to report potential violations of the Manual promptly to the Chief Compliance Officer. The Firm provides each employee with a copy of the Manual and any amendments thereto, and employees are required to provide a written acknowledgement that they have received the Manual, as amended from time to time. The Firm keeps records of reports and other information that Covered Persons are required to provide under the Manual.

The Manual includes policies and procedures concerning “inside information” that are designed to prevent the misuse of material, non-public information. It prohibits Covered Persons from trading for Funds or themselves, or recommending trading, in securities of a company while in possession of material, non-public information about the company, and from disclosing such information to any person not entitled to receive it. All such information must be reported to the Chief Compliance Officer, who will add the issuer to which the information pertains to a restricted list. Security transactions in issuers listed in the restricted list are prohibited without further clearance by the Chief Compliance Officer.

The Manual also addresses conflicts that could arise from personal securities trading by any Covered Persons. First, all personal securities transactions not subject to an exception, including personal transactions in initial public offerings, limited offerings and private placements, must be pre-cleared by the Chief Compliance Officer. Second, each Covered Person must submit quarterly reports containing all transactions not subject to an

exception, for each of their personal securities account. Lastly, the Manual requires each Covered Person to submit to the Chief Compliance Officer at least annually a report of their securities so that they may be checked for compliance with the Manual.

The Manual is administered and enforced by the Firm's Compliance Officer. In rare instances, the Compliance Officer may grant requests for relief from those Manual provisions not mandated by the SEC.

The Firm will provide copies of the section of its compliance manual containing its code of ethics to the Funds, investors in the Funds and other prospective investors upon request, at no charge.

B. Purchases and Sales of Securities in which the Firm has Material Financial Interest

A Fund must obtain the consent of its advisory committee before (a) making any investment in which the Firm, the Fund's general partner or any other affiliate of the Firm has previously made an investment, or (b) selling any investment in which the Firm, the Fund's general partner or any other affiliate of the Firm has an interest consisting of securities that are substantially identical and have liquidity substantially equivalent to that of the investment being sold unless such interest is being sold pro rata and on substantially the same terms and at an equivalent price as the Fund's stake in such investment.

Without the consent of a Fund's advisory committee, none of the Firm, the Fund's general partner or any other affiliate of the Firm will (i) acquire or sell securities (other than securities it received as a distribution in kind from the Fund, any Parallel Fund, or any alternative investment vehicle) of any portfolio company other than through its interest in the Fund, any Parallel Fund, or any alternative investment vehicle, or (ii) borrow funds from the Fund. The prohibitions contained in this paragraph will not apply to (i) any acquisition of securities pursuant to a merger, consolidation or transaction involving a portfolio company, (ii) any acquisition of securities made pursuant to preemptive rights or similar interests granted to all or substantially all holders of the same class of securities, (iii) any acquisition of securities by or on behalf of an existing Fund or subsequent Fund made concurrently with, at the same price, and on the same terms and conditions as, the acquisition of substantially identical securities in the same portfolio company by the Fund, any Parallel Fund, or any alternative investment vehicle, so long as the costs and expenses of such transaction are equitably prorated, (iv) any sale or distribution of securities by an existing Fund or a subsequent Fund, provided that if such securities are substantially identical to and have equivalent liquidity as securities in the same portfolio company held by the Fund, any Parallel Fund, or any alternative investment vehicle, such sale or distribution must be made pro rata and substantially concurrently with,

and on substantially the same terms and conditions as, the sale or distribution of the corresponding securities by such entities, (v) any sale of securities received in a distribution permitted to be made in clause (iv) above, and (vi) any acquisition of marketable securities.

As discussed in **Item 5.C** and **Item 10.C**, the Firm, a Fund's general partner or their respective employees may receive Transaction and Monitoring Fees in connection with the making of a portfolio company investment and may retain a portion of those fees. As a result, the Firm, the general partner or such employees may be considered to have a material financial interest in the consummation of the portfolio company investment. Any such Transaction and Monitoring Fees shall be turned over to the Firm.

C. Purchases and Sales of Securities by the Funds and the Firm and/or its Affiliates

Freeman Spogli does not co-invest with any of its Funds. However, Industry Executives, and Freeman Spogli's principals and affiliates may have direct and indirect investments of their own capital in the securities of portfolio companies that are recommended to the Funds. In certain instances, Industry Executives may directly invest side-by-side with the Funds.

In addition, limited partners of such Funds may be invited by the Fund's general partner to participate individually in investments in portfolio companies, including (where appropriate) as lenders, placement agents, and purchasers of securities. However, limited partners who participate in such direct investment opportunities will assume any risk, responsibility or expense relating to their participation, and such direct investment will not entitle the limited partners to participate in the management or control of the investment.

In addition, Freeman Spogli's principals and affiliates may have an indirect interest in the securities of portfolio companies held by the Funds because of Carried Interest. As discussed in **Item 6** above, the existence of Carried Interest from the Funds may give rise to certain conflicts of interest that might not exist in the absence of such performance-based compensation.

The Parallel Funds invest proportionately alongside their respective principal funds in all transactions. Investors in the Parallel Funds may include Covered Persons and their friends and family, as well as entities controlled by, or established for the benefit of, Covered Persons and their friends and family.

D. Purchases and Sales of Securities by the Funds and the Firm and/or its Affiliates at the Same Time

See Item 11.C.

Item 12. Brokerage Practices

The Firm's investment strategy typically involves making direct long-term investments in companies on behalf of the Funds. As such, the Firm does not routinely trade public securities on behalf of Funds. Any use of broker-dealers most often involves exiting a portfolio company investment either in an underwritten offering or through open market sales. The Firm selects broker-dealers on a "best execution" basis. Best price, after giving effect to commissions and transaction costs, is one factor in this decision, but the Firm also takes into account many other factors of best execution for a specific transaction, including reputation, creditworthiness and financial stability of the broker-dealer, the quality of services, such as market-making, distribution and execution, clearing and settlement and research as well as the Firm's business relationship with the broker-dealer, if any. Accordingly, transactions may not be executed at the lowest available price or commission.

The Firm currently does not engage in soft dollar arrangements or directed brokerage transactions. The Firm's investment strategy does not typically present the opportunity to aggregate the purchase or sale of securities for various client accounts.

Item 13. Review of Accounts

A. Account Review

Members of the Firm monitor, and gather information with respect to the Funds on a periodic basis. In addition, the Firm reviews and conducts valuations of all Funds on a quarterly basis. A member of the deal team responsible for each portfolio investment will gather and review information regarding the investment, develop a valuation for such investment, and submit the valuation and supporting materials to members of the Firm, which shall, in turn, review the valuation and supporting materials before submitting such materials to the advisory committee of the applicable Fund for review and approval. On an annual basis, a third party accountant will conduct an audit of each Fund and, in connection therewith, will review any internally-developed valuation for the portfolio investments of such Fund.

B. Factors that Trigger an Account Review

Not applicable.

C. Account Statements

Investors in the Funds receive written quarterly unaudited financial statements for the first three quarters of the fiscal year, an annual report and annual audited financial statements. Moreover, investors in the Funds may receive certain additional information upon request, as set forth in the applicable Fund's Partnership Agreement.

Item 14. Client Referrals and Other Compensation

A. Benefits from Others for Providing Investment Advice

The Firm does not receive any economic benefits from non-clients for providing investment advice or other advisory services to the Funds.

B. Client Referrals

The Firm has entered into contractual agreements with several organizations (hereafter referred to as "agents") that have solicited investors for certain of the Funds. While the specific terms of each arrangement may differ, generally an agent's compensation is based upon the capital commitments made by the referred investors to the Funds. Any sales charge associated therewith will ultimately be payable by the Firm or its affiliates, either directly or through an offset of the management fee payable by the relevant Fund.

Item 15. Custody

The Firm is considered to have custody of the Funds' securities and funds. The Funds' qualified custodians are Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bank of America. All of the Funds' certificated investment securities are held by the qualified custodian on behalf of the Funds. The Firm does not use the qualified custodian to send quarterly account statements directly to the investors in the Funds. Each Fund distributes its annual audited financial statements to its investors within 120 days of the Fund's fiscal year-end.

Item 16. Investment Discretion

The Firm has discretionary authority to manage securities accounts on behalf of each Fund, subject to the investment objectives, strategies and policies set forth in the applicable Fund's Partnership Agreement.

Item 17. Voting Client Securities

The Firm and its affiliates have authority to vote proxies on behalf of the Funds and, in accordance with Rule 206(4)-6 of the Advisers Act, has adopted policy and procedures to address how the Firm and its affiliates will vote proxies on behalf of each client. The Firm will consider each proxy issue individually and will exercise its best judgment as a fiduciary to vote all proxies in the best interests of the Funds pursuant to the goals of a Fund's investment strategy. The Firm may abstain from voting or decide not to vote if the Firm determines that abstaining or not voting is in the best interests of the applicable Fund(s).

The Firm may be subject to material conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. The Firm and/or its employees may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships. In the event a material conflict of interest is identified, the Chief Compliance Officer or designee shall take such actions as he or she deems necessary to determine how to vote the proxy in the best interests of the Funds. Depending upon the specific facts and circumstances associated with a given proxy, such actions may include consulting with: (1) legal counsel, (2) a proxy consultant, or (3) deal team members. After such consultation, the Chief Compliance Officer or designee shall review the votes in advance to ensure that the Firm's proposed vote is not prompted by any conflict of interest. In accordance with Rule 206(4)-6, the Firm will document the basis for its voting decisions.

A copy of the proxy voting policy and procedures is available to investors in the Funds upon request, by contacting William M. Wardlaw at (310) 444-1822. Further, upon request, investors will be provided with information about how proxies have been voted.

Item 18. Financial Information

A. Prepayment of Fees

The Firm does not require or solicit prepayment of any fees from the Funds six months or

more in advance.

B. Financial Impairment

As of the date of this brochure, the Firm is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds.

B. Bankruptcy Petition

The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19. Requirements for State-Registered Advisers

Not applicable.