

Leonard Green & Partners, L.P.

Part 2A of Form ADV – The Brochure



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This brochure ("Brochure") provides information about the qualifications and business practices of Leonard Green & Partners, L.P. ("LGP"), an investment adviser that is registered with the United States Securities and Exchange Commission (the "SEC"). Registration with the SEC does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact Andrew Goldberg at 310-954-0436. Additional information about LGP is also available on the SEC's website at: www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure, dated September 21, 2016, serves as an update to LGP’s Brochure dated March 31, 2016, solely to reflect the change in Chief Compliance Officer.

The March 31, 2016 Brochure served as an update to the March 31, 2015 (the “Prior Brochure”), containing routine annual updates to the Prior Brochure, as well as certain other updates to the “Fees and Compensation,” “Code of Ethics” and “Methods of Analysis, Investment Strategies and Risk of Loss” sections.

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Item 4: Advisory Business

For purposes of this brochure, “**LGP**” or the “**Firm**” mean Leonard Green & Partners, L.P., a Delaware limited partnership, together with certain of its affiliates that provide investment advisory services to investment vehicles (as defined below) that are not subject to the registration requirements of the Investment Company Act of 1940, as amended (the “**1940 Act**”), and whose securities are not subject to the registration requirements of the Securities Act of 1933, as amended.

Background

Founded in 1989, LGP is a Los Angeles, CA based private equity firm that typically partners with market-leading companies with attractive growth prospects across a broad range of industries, with a preference for companies primarily in the following sectors: retail/consumer, healthcare/wellness, business/consumer services, and distribution. While the Firm is primarily a control investor, LGP has also successfully invested in shared-control and non-control transactions. The Firm’s investments in portfolio companies (“**Portfolio Companies**”) have generally been in the form of traditional buyouts, going-private transactions, recapitalizations, growth capital investments, corporate carve-outs and selective public equity and debt positions.

The investment activities of the Firm are led by John G. Danhaki, Jonathan D. Sokoloff, John M. Baumer, Jonathan A. Seiffer, Usama N. Cortas, Timothy J. Flynn, J. Kristofer Galashan, James D. Halper, W. Christian McCollum, Todd M. Purdy, Michael S. Solomon, and Alyse M. Wagner (the “**Partners**”). LGP has raised six successive funds that have each pursued similar strategies and is in the process of raising its seventh fund that will pursue a similar strategy as the predecessor funds.

LGP is majority owned by John G. Danhaki and Jonathan D. Sokoloff and/or their estate planning vehicles. The balance of the Firm is owned by the remaining Partners and/or their estate planning vehicles.

Services

LGP serves as the investment manager, and affiliates of LGP serve as the general partner, to related private investment partnerships, namely Green Equity Investors IV, L.P., Green Equity Investors V, L.P., and Green Equity Investors VI, L.P., Green Equity Investors Side V, L.P., and Green Equity Investors Side VI, L.P. These related private investment partnerships (each, a “**Main Fund**”) are organized to make private equity investments. LGP may in the future advise other private investment vehicles in addition to those listed herein.

LGP also serves as the investment manager, and affiliates of LGP serve as the general partner, to (i) certain other private investment partnerships which are “feeder” vehicles (each, a “**Feeder Vehicle**”) organized to invest exclusively in a Main Fund, and/or (ii) alternative investment vehicles (each, an “**Alternative Investment Vehicle**”) organized to address, for example, specific tax, legal, business, accounting or regulatory-related matters that may arise in connection with a transaction or transactions.

LGP or its affiliates also serve as the investment manager, and affiliates of LGP serve as the general partner (or in an analogous capacity), to coinvestment vehicles that it organizes to allow certain persons, entities and co-sponsors to invest alongside one or more Main Funds in a particular investment opportunity (each such vehicle, a “**Coinvestment Vehicle**”). As a general matter, each investment by a

Coinvestment Vehicle will be acquired and sold on substantially the same terms as the corresponding investment by the applicable Main Fund. Investors in Coinvestment Vehicles generally bear no performance-based fees or management fees. The Main Funds, Coinvestment Vehicles, Feeder Vehicles and Alternative Investment Vehicles are collectively referred to as the “**Funds**.”

In providing services to the Funds, LGP directs and manages the investment of each Main Fund’s assets, and provides periodic reports to the investors in each Fund (the “**Limited Partners**”). LGP makes investment decisions based on pre-acquisition due diligence that help LGP identify and assess investment risks and opportunities. LGP’s management activities are governed by the terms of the governing documents applicable to each Fund. Investment advice is provided directly to each Master Fund and not individually to the Limited Partners of any Fund. Investment restrictions for the Funds are generally set forth in the respective governing documents of the Funds. Limited Partners may not impose additional restrictions on the management of the Funds.

As of December 31, 2015, LGP managed, on a discretionary basis, Funds with regulatory assets under management of approximately \$14,056,700,000.¹

Item 5: Fees and Compensation

LGP earns management fees, and the affiliated general partners have the potential to earn performance-based compensation, from each of the Funds (generally excluding Feeder Vehicles and Coinvestment Vehicles). The Firm or its affiliates or employees may also receive Fee Income (as defined below). A specified percentage of Fee Income (as set forth in the relevant governing documents of the applicable Fund) is applied to reduce the management fee payable. The aforementioned fees are discussed in more detail below.

The discussion in this Item 5 is not intended to be complete and is qualified in its entirety by reference to the governing documents of each Fund, which have been provided to each investor in each such Fund.

Management Fees

For each Fund (generally excluding Feeder Vehicles and Coinvestment Vehicles), LGP is entitled to a management fee. Management fees are generally payable in advance, with payment on or after the 10th day of each semi-annual period or any period that is less than a full semi-annual period. Funds (generally excluding Feeder Vehicles and Coinvestment Vehicles) are generally charged a management fee of 1.50% per annum of aggregate commitments of unaffiliated Limited Partners during the commitment period, 1.00% per annum of the funded commitments for two years after the investment period is over, and 0.75% per annum of the funded commitments thereafter, through the end of the term of the Fund, as it may be extended. Management fees are subject to reduction in certain circumstances. The precise amount and the manner and calculation of the management fees and reduction for each Fund are set forth in the governing documents applicable to such Fund.

LGP’s affiliates that hold interests in a Fund do not pay management fees and are not subject to performance-based fees with respect to such interests. The affiliated partners’ capital contributions are generally made through waiver of a corresponding amount of the management fee payable to LGP by such Fund in lieu of capital contributions by such partners.

¹ Rounded to the nearest \$100,000 and excludes Limited Partner commitments received post December 31, 2015.

Coinvestment Vehicles do not pay any management fees (or performance-based fees), although LGP reserves the right to charge such fees to Coinvestment Vehicles that may be formed in the future. Such vehicles are required to bear their own organizational, administrative and operating expenses.

Performance-Based Fees

Please see Item 6 below for information regarding performance-based fees received by affiliates of LGP with respect to the Main Funds.

Fee Income

The Firm or its affiliates or employees may receive (and have received) transaction fees (including set-up, acquisition and commitment fees), fees earned in connection with transactions that are not completed (break-up fees), closing fees, exit fees, advisory fees, monitoring fees (discussed further below), consulting fees, management fees, directors' fees or other similar fees related to the Funds' ownership interests in Portfolio Companies (collectively, "**Fee Income**"). These fees may be substantial, are generally not negotiated on an arm's length basis, and may be paid in cash, in securities of the Portfolio Companies, or otherwise. Fee Income is first used to pay unreimbursed transaction expenses (including unconsummated transaction expenses), after which a specified percentage (e.g., 100% for Green Equity Investors VI, L.P.) of the remainder of the Fee Income (as set forth in the relevant governing documents of the applicable Fund) is applied to reduce the management fee otherwise payable by certain Funds. Any such reduction of a Fund's management fees may be limited, pro rata, to the extent of such Fund's proportionate interest in the Portfolio Company or investment vehicle to which such Fee Income relates.

If the aggregate amount of excess Fee Income applied against the management fee during a fiscal year exceeds the management fee payable for such fiscal year, the excess is generally carried forward to reduce the management fee payable in the following fiscal year or years. If upon dissolution of the Fund, any excess Fee Income referred to in the preceding paragraph remains, the governing documents of a Fund may provide that the Firm will return to the Fund for the benefit of its partners an amount equal to such unapplied excess amount; provided, that any Limited Partner may waive its right to receive its pro rata portion of such amount.

Upon the occurrence of certain events (e.g., a public offering, disposition or change in control of a Portfolio Company), the Firm or its affiliates or employees may receive (and have in the past received) an acceleration payment of certain Fee Income (i.e., monitoring fees or other similar fees) payable by a Portfolio Company. The Firm's policies generally limit the acceleration of monitoring fees to circumstances where the Portfolio Company is sold or goes public and the Fund retains a meaningful equity position following the sale or IPO. In such events, fees will not be charged on an accelerated basis beyond the third anniversary of the sale or IPO.

In certain instances, LGP employees may receive directors' fees from a company that was, but is no longer, a Portfolio Company held by a Fund. In such instances, directors' fees earned by LGP employees are generally retained by the LGP employee and are not subject to the management fee offset mechanism described above.

In certain instances, LGP is reimbursed by a Portfolio Company for expenses incurred by LGP in connection with its performance of the above-referenced services for such Portfolio Company. Such

expenses include travel (at rates not exceeding a first-class equivalent fare) and meals, and such expense reimbursements are not subject to the management fee offset mechanism described above.

Offering and Organizational Expenses

The Funds will bear all legal, organizational and offering expenses, including the out-of-pocket expenses (e.g., legal fees and expenses, travel (at rates not exceeding a first-class equivalent fare), accounting, filing, printing and other costs) of the general partner of the applicable Fund, the Firm and their respective agents and affiliates incurred in the formation of the Funds (including any Feeder Vehicle (as defined above)) up to amounts specified in each respective Fund's governing documents. The governing documents of a Fund may provide that any such organizational expenses in excess of the applicable cap may be paid by the Fund, and, if so paid, will be borne by the Firm through a 100% offset against management fees otherwise payable by the applicable Fund.

Other Fees and Expenses

In addition to the management fees and any performance-based fees payable to LGP and its affiliated entities, respectively, the Funds bear other expenses that are more fully described in each Fund's governing documents. Examples of expenses that are eligible to be borne by the Funds (and indirectly borne by the Limited Partners) include, but are not limited to, organizational costs, legal, tax, auditing, consulting, administrative, regulatory and accounting expenses, professional liability insurance premiums,² expenses of Advisory Committee meetings (including travel, lodging, and meals), expenses associated with the acquisition, holding and disposition of proposed or actual portfolio investments, including research, travel (at rates not exceeding a first-class equivalent fare), accommodation and similar expenses related to such investments or prospective investments, extraordinary expenses (such as litigation), interest on and fees and expenses for permitted borrowings and all expenses of liquidating the Funds. The General Partner may in its discretion cause certain expenses that would otherwise be borne directly by a Fund to be reimbursed by Portfolio Companies in lieu of charging such expenses to the applicable Fund.

Unconsummated Deal Expenses

The Main Funds will generally bear all fees, costs and expenses relating to unconsummated transactions, such as travel (at rates not exceeding a first-class equivalent fare), legal, and due diligence expenses, including amounts that would otherwise have been borne directly or indirectly by potential coinvestors (other than with respect to a Coinvestment Vehicle established for Executive Investors (as defined below) that has the ability to call capital for such fees, costs or expenses). Coinvestment Vehicles (other than those established for Executive Investors) are typically not formed or capitalized until close to the time a transaction is actually consummated and typically do not share in expenses related to unconsummated transactions.

The Funds will be reliant on the Firm with respect to the determination of whether unconsummated transaction expenses should be allocated to one or more of the Funds. To the extent the Firm determines that such expenses are to be allocated to one or more of the Funds, the Firm will endeavor to allocate such expenses in a manner it believes to be fair and equitable, which may include an

² LGP maintains a primary and excess professional liability insurance policy that covers all entities. While each entity pays a pro rata portion of the insurance premium, it is possible that one or more entities could exhaust all of the coverage of a policy in a particular instance and that there would be no coverage benefit available for other entities under such policy.

allocation among such Funds based on their relative net asset value, capital commitments, number of investors, actual or proposed investment size in a particular transaction or the Firm's determination of the benefit to be received from the activity for which the expense was incurred, subject to the terms of the governing documents of each such Fund.

The General Partner or the Firm anticipates that it will from time to time (i) cause one or more Funds to be invoiced for, advance or otherwise bear on a temporary basis all or a portion of an expense ultimately intended to be borne in whole or in part by another Fund together or in connection with the vehicle originally bearing such expense, including as a result of invoices directed to one such vehicle for convenience of the applicable vehicle, and/or (ii) make corrective allocations in the event that, based on periodic reviews of expenses, it determines that such corrections are necessary or appropriate.

Expense Allocations

Generally, the applicable Fund's governing documents and the Firm's expense allocation policy provide for the allocation of expenses amongst the Funds on a proportionate basis with exceptions for circumstances where an expense is properly attributable to a single or subset of Funds, such as fees incurred to amend or extend the line of credit for the Main Funds (which would be allocated solely to the Main Funds). The Funds' governing documents provide a more detailed description of the fees and expenses borne by each Fund.

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

In respect of each Main Fund, the applicable general partner is generally entitled to receive a performance-based fee. Such performance-based fees are borne by the Limited Partners in such Funds, including any Feeder Vehicles that invest as Limited Partners of a Main Fund. As a general matter, Coinvestment Vehicles do not pay any performance-based fees. The precise amount of, and the manner and calculation of, the performance-based fee for each Fund is disclosed in the applicable organizational and offering documents. The performance-based fee provisions are negotiated collectively with the investors of each Fund. Item 11 below addresses certain potential conflicts of interest related to performance-based fees.

Item 7: Types of Clients

LGP's only clients are the Funds to which LGP directly provides investment advisory services. LGP does not provide investment advisory services individually to the investors in the Funds. Investors in the Main Funds are generally "qualified purchasers" as defined in the 1940 Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, insurance companies, sovereign wealth funds and funds of funds.

Each Fund may impose a minimum investment commitment requirement. The confidential offering materials for each Fund provide additional information about the Fund's minimum investment commitment, if any, which may be waived by the general partner in its sole discretion.

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

The Funds invest primarily in North American-based companies, pursuing investments that meet LGP's target market investment criteria. LGP seeks to achieve the Funds' investment objectives by (i) proactive sourcing of investment opportunities, (ii) rigorous due diligence, (iii) creative structuring and financing, (iv) active involvement in value creation post-acquisition to optimize Portfolio Companies' financial performance and (v) opportunistic and timely realizations to return capital to Limited Partners.

LGP generally targets investments in market-leading franchises, defensible competitive positions and successful track records, with a preference for companies in the following sectors: retail/consumer, healthcare/wellness, business/consumer services, and distribution sectors. While LGP is primarily a control investor, LGP has also successfully invested in shared-control and non-control transactions.

Regardless of industry, LGP generally focuses on growing, cash flow positive businesses with strong management and dependable, market-leading franchises. Accordingly, LGP generally avoids cyclical industries, highly regulated industries, commodity producers, and companies with high fixed operating cost structures or unpredictable cash flows.

LGP believes that optimal investment returns generally result from examining a large number of investment opportunities that meet its target investment criteria, while at the same time maintaining strict discipline in due diligence, decision making and valuation.

Before making an investment, LGP conducts due diligence on a number of issues, which generally include the acquisition candidate's operations, competitive position, industry conditions and prospects, management capabilities and other relevant factors. The due diligence effort involves LGP's investment professionals, as well as operating management teams, legal, tax, insurance and accounting advisors, and if appropriate, third party consultants.

In making an investment decision, LGP considers several questions, including: What is the company's growth trajectory? How has this company and similar companies fared through different economic cycles? How is the company positioned competitively? What are the cash flow characteristics of the company? How talented is the existing management team? What add-on acquisitions could be consummated? Where are industry valuation multiples versus historical levels?

Risks

Investing in securities, including an interest in a Fund, involves a substantial degree of risk. An investment in a Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in a Fund and investors in the Funds must be prepared to bear the risk of a complete loss of their investments. Investment risks include, but are not limited to, the following:

- The difficulty in identifying suitable investments;
- The difficulty in valuing investments;
- The nature of a Fund's investments including the risks associated with:
 - control investments;

- non-control investments;
- non-U.S. investments;
- investing in publicly-traded securities;
- investing in debt securities;
- Portfolio Company leverage, which may increase a Portfolio Company's exposure to adverse economic factors, impair its flexibility to respond to changing conditions and increase the risk of a Portfolio Company becoming insolvent;
- investments in restructurings; Portfolio Company bankruptcy and associated Fund exposure to repayment of amounts distributed by such Portfolio Company; and
- Portfolio Company management;
- The difficulty of disposing of investments;
- The failure or inability of a Fund to make follow-on investments in a Portfolio Company;
- Industry-specific risks such as competition and regulation;
- The risks arising from the limited number of investments that a Fund may make (lack of diversification);
- The risks associated with financing the acquisition of investments;
- The risks associated with general economic conditions;
- The risks related to technology;
- Cyber security breaches and identity theft, including the risk of significant interruptions to the operations of the Firm, the Funds or Portfolio Companies and the risk that the security of sensitive data could be compromised (including confidential information relating to Limited Partners and their beneficial owners);
- Tax risks; and
- Unforeseen event risks.

In addition, investing in a Fund presents certain risks, including (but not limited to):

- Dependence on the skill of LGP;
- Lack of operating history;
- Remedies available to a Fund if a Limited Partner defaults on its commitments;
- Limited right of the Fund to recall distributions made to Limited Partners;
- Lack of control over Fund operations;
- Limitations on transfer of interests in, or withdrawal from, a Fund;
- Involuntary sale of interest;
- Recourse to the Fund's assets;
- Distribution of marketable or restricted securities;

- LGP's right to be indemnified by one or more Funds;
- Benefits provided to certain investors through side letters;
- Risks related to Fund leverage, which may result in diminished returns and increased exposure to adverse economic factors, and which may provide for Limited Partners' rights to distributions to be subordinated to the rights of lenders;
- The impact of fees and expenses on investment performance;
- Dilution from subsequent closings;
- Early termination of the Fund or the commitment period; removal of the general partner;
- Electronic delivery of certain documents;
- Certain tax risks;
- Potential conflicts of interest;
- The uncertainty of future investment performance; and
- The uncertainty of forward-looking statements.

No guarantee or representation is made that a Fund will achieve its investment objective or that Limited Partners will receive a return of their capital. All investing involves a risk of loss and the investment strategy offered by LGP could lose money over short or even long periods.

The preceding discussion identifies only some of the potentially applicable risks. Each Fund's confidential offering materials include a more detailed description of the relevant risks.

Item 9: Disciplinary Information

LGP, its partners, and its employees have not been involved in any legal or disciplinary events that LGP believes should be material to an investor's evaluation of LGP or its personnel.

Item 10: Other Financial Industry Activities and Affiliations

LGP, its partners, and its employees do not have any relationships or arrangements with third parties that are material to LGP's provision of advisory services to its Funds.

LGP organizes and sponsors the Funds. Affiliates of LGP serve as general partners (or in an analogous capacity) of, and control, the Funds. LGP or its affiliated entities are responsible for all decisions regarding portfolio transactions of the Funds and generally have full discretion over the management of the Funds' investment activities in accordance with the Funds' governing documents.

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

For a description of certain material conflicts of interest created by these relationships, please see Item 11 below.

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

Code of Ethics

LGP has adopted a Code of Ethics policy (the “**Policy**”) for its employees. The Policy describes employees’ standard of conduct and fiduciary duties and governs personal trading by its employees and their household family members. Employees must report every account that they or their household family members use for trading securities covered by the Policy and, if they directly or indirectly influence or control trading in the account, they must pre-clear certain transactions, and have copies of trade confirmations and/or periodic account statements sent by their broker to the Chief Compliance Officer. LGP employees and their household family members are prohibited from trading securities that appear on LGP’s restricted list, which includes securities owned by the Funds.

All employees must acknowledge their receipt of, understanding of, and agreement to adhere to the Policy and all employees are required to promptly report any violation of the Policy of which they become aware.

Current Limited Partners may contact LGP’s Chief Compliance Officer, Andrew Goldberg, at (310) 954-0436 for more information about of LGP’s Policy.

Conflicts

Certain potential material conflicts of interest encountered by a Fund include those discussed below, although the discussion does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts are described in each Fund’s governing documents and related private placement memoranda. Each Fund’s governing documents and related private placement memoranda should be read in their entirety for other conflicts.

LGP and its affiliates will attempt to resolve any conflicts in good faith and in accordance with any applicable contractual provisions, but there can be no assurance that conflicts of interest or actions taken by LGP or its affiliates in attempting to resolve such conflicts of interest will not have an adverse effect on any one or all Funds and/or indirectly on Limited Partners. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had conflicts not existed.

Certain transactions may involve conflicts of interest between LGP and the Funds or among Funds. To address potential conflict of interest transactions (among other matters), the general partner of each Main Fund is required to establish a limited partner advisory committee (each, an “**Advisory Committee**”) comprised of selected individual representatives of the Fund’s Limited Partners. These individuals are not elected by nor do they owe legal duties (other than the requirement that they act in good faith) to the other Limited Partners in the Fund. With certain exceptions as detailed in each Fund’s documentation, a Fund’s Advisory Committee generally does not have any power to approve or disapprove investments. The general partner of each Main Fund will in certain situations be required to seek the approval of the Advisory Committee or of the Limited Partners in respect of conflicts of interest. Pursuant to the applicable Fund’s governing documents, any such approval by the Advisory Committee or Limited Partners will be binding upon the relevant Main Fund and the Limited Partners.

Related Person Investment

An affiliated entity of each General Partner makes an investment in each Main Fund by agreeing to commit a certain percentage of the Fund's total capital commitments or a specified dollar amount set out in the Fund's governing documents. As described in Item 5 above, this investment may be made by a reduction in the management fees otherwise payable to LGP. In addition, with respect to a Main Fund, LGP has in the past organized (and may, but does not expect to, organize in the future) parallel investment vehicles in which junior investment professionals may invest and typically does organize Coinvestment Vehicles in which related persons and Portfolio Company related persons invest. Such investment vehicles generally do not pay any management fees or performance-based fee but are otherwise on effectively the same terms and conditions as the applicable Main Fund. Therefore, LGP, its employees, or a related entity may participate in transactions effected for the Funds. LGP related persons have, and Portfolio Company related persons typically do, participate in transactions effected for the Funds.

Side Letters

LGP, the Funds or the general partners of the Funds may enter into separate agreements, commonly referred to as "**Side Letters**," or other similar agreements with a particular Limited Partner in connection with its admission to one of the Funds without the approval of any other Limited Partner, which in certain circumstances, have the effect of establishing rights under or supplementing the terms of the applicable Fund's governing documents with respect to such Limited Partner in a manner more favorable to such Limited Partner than those applicable to other Limited Partners. Such rights or terms in any such side-letter or other similar agreement may include, without limitation, rights related to (i) transfers, (ii) excuse from particular types of investments, (iii) disclosure obligations of the investor or the general partner of the applicable Fund, (iv) participation in, and terms of, coinvestment opportunities, and (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor. Other Limited Partners may not be notified of any Side Letters until after the Final Closing and may not have the ability to receive similar rights. Other Limited Partners will have no recourse against the Fund or any of its affiliates in the event that certain Limited Partners receive additional or different rights or terms as a result of such Side Letters.

Conflicts Related to Purchases and Sales Between Funds

Investments made by one Fund in a Portfolio Company in which another Fund has previously invested, may present conflicts of interest, including determinations of whether existing investors are receiving a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. To help mitigate these potential conflicts, if such a cross-Fund transaction is proposed, approval for such a transaction is sought from each affected Fund's Advisory Committee as a condition to consummating the transaction. In addition, a fairness opinion from an investment banking or appraisal firm may be obtained.

Coinvestment Opportunity Allocations

LGP may at any time, in its sole discretion, based upon the facts and circumstances of a particular

investment opportunity, offer certain coinvestment opportunities. LGP will generally allocate such opportunities in accordance with the governing documents of the relevant Funds and in a manner that it believes to be appropriate on an equitable basis.

Limited Partner Coinvestors

Where possible and appropriate, LGP may, but will be under no obligation to, provide coinvestment opportunities to Limited Partners of the applicable Funds, and such opportunities may be offered only to a certain subset of such Limited Partners. Such coinvestment opportunities will generally first be offered to Limited Partners (i) whose capital commitments equal or exceed \$100 million; (ii) who have previously informed LGP of their interest in coinvestment opportunities; (iii) who are able to commit to and fund an investment in a timely manner, in light of the timing constraints applicable to such investment; (iv) who are able to commit to a significant portion of such opportunity and/or to potentially provide other strategic capital (e.g., debt financing for the transaction or Portfolio Company); (v) who may provide strategic value (e.g., in connection with the relevant investment, by having relevant experience in the sector or existing relationships with management or other relevant parties, or through the potential to assist in the sourcing of future investment opportunities); and (vi) who have not indicated in side letters or subscription agreements that they are constrained from participating in the particular type of opportunity. Any surplus may then be offered to other Limited Partners of each applicable Fund, in particular those Limited Partners with less sizeable capital commitments who have expressed an interest in coinvestment opportunities, taking into account all factors deemed relevant by LGP, including the foregoing. The terms of any coinvestment in which a limited partner participates generally differ from those of the applicable Fund, including with regard to fees and carried interest, if any, that are charged.

Executive Investors

LGP typically offers a small percentage of each investment opportunity as a coinvestment to certain current and former executives of public and private companies, key Portfolio Company executives and advisors, industry relationships and similar individuals who, in LGP's judgment, may add value to activities of the Funds by virtue of their association with the Funds, their investment sectors and/or their investments (such individuals, "**Executive Investors**"). The terms of Coinvestment Vehicles in which Executive Investors participate may differ from those of the applicable Main Fund, including that Executive Investors bear no carried interest or management fees, but such coinvestments will be acquired and sold and on substantially the same terms as the corresponding investment by the relevant Fund.

Current Limited Partners may contact LGP's Chief Compliance Officer, Andrew Goldberg, at (310) 954-0436 for more information about the allocation of coinvestment opportunities.

Diverse Membership

The investors in the Funds include U.S. taxable and tax-exempt entities, and institutional investors from jurisdictions outside of the United States. Such investors may have conflicting investment, tax, and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments, as well as the structure of a Fund. As a consequence, conflicts of interest may arise in connection with decisions made by LGP, including with respect to the nature or structuring of investments, that may be

more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, LGP will consider the investment and tax objectives of the applicable Fund and the investors as a whole, not the investment, tax or other objectives of any investor individually.

Business with Portfolio Companies and Investors

Given the collaborative nature of LGP's business and the Portfolio Companies in which the Funds have invested, there are situations where LGP is in the position of recommending Portfolio Company services to other Portfolio Companies. LGP may have a conflict of interest in making such recommendations, in that LGP has an incentive to increase revenue at its Portfolio Companies and to maintain goodwill between it and the existing and prospective Portfolio Companies for the Funds, while the products or services recommended may not necessarily be the best available (or at the best available price) to the Portfolio Companies held by the Funds.

Conflicts Related to Fee Structure

Because there is a fixed investment period after which capital from Limited Partners may only be drawn down in certain limited circumstances, and LGP's management fee is based upon capital invested by the Main Funds, an incentive exists to deploy capital when LGP may not otherwise have done so. The fact that certain fees received by affiliates of LGP from the Main Funds are based on the performance of the Main Funds may also create an incentive for LGP to cause the Main Funds to make investments that are more speculative than would be the case in the absence of performance-based fees. This incentive may be tempered somewhat by the substantial investment by affiliates of LGP in the Main Funds and the fact that losses from unsuccessful investments will reduce the Main Fund's performance and thus LGP's receipt of (or right to retain) performance-based fees.

Investor Due Diligence Information

Due in part to the fact that potential investors in a Fund (including potential investors in a Coinvestment Vehicle or purchaser of a Limited Partner's interest in a secondary transaction) may ask different questions and request different information, LGP may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or Limited Partners.

Valuation of Fund Assets

The Funds' investments are generally privately held companies and may also, among other things, include restricted securities in publicly held companies. The process of valuing such securities for which price quotations are not available is based on inherent uncertainties. The resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available for certain of a Fund's assets. Although LGP does not generally assess management fees or performance-based fees based upon LGP's valuation determinations, a conflict may arise as performance information will be reported based on the valuations established by LGP. LGP has a duty to value the Funds' assets as provided in, and consistent with, the organizational documents of the Funds, which generally require reporting based on applicable Generally Accepted Accounting Principles. LGP has adopted a policy regarding the valuation of Fund assets in order to provide a basis for establishing valuations reported by Funds.

Current Limited Partners may contact LGP's Chief Compliance Officer, Andrew Goldberg, at (310) 954-0436 for more information about LGP's valuation policy.

Service Providers

LGP and the Funds engage common service providers. In such circumstances, there may be a conflict of interest between LGP and the Funds in determining whether to engage such service providers, including the possibility that LGP may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds.

In certain circumstances, services providers or their affiliates may charge different rates or have different arrangements for services provided to the general partner of a Fund, the Firm or their affiliates (other than a Fund) as compared to services provided to a Fund or its Portfolio Companies, which may result in more favorable rates or arrangements than those payable by a Fund or such Portfolio Companies.

LGP and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including transactions in which there may be conflicts of interest. Members of some of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more Portfolio Companies or investors in a Fund. In the event of a significant dispute or divergence of interest between the Funds and LGP and/or its affiliates, the parties may engage separate counsel in the sole discretion of LGP and its affiliates. Moreover, in litigation and certain other circumstances separate representation may be required.

Item 12: Brokerage Practices

To the extent LGP transacts in public securities, LGP is generally authorized to make the following determinations, subject to the Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Fund or any of its Limited Partners: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

To the extent LGP transacts in public securities, it intends to select brokers based upon the broker's ability to provide "best execution" for the Funds. "Best execution" means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. In making its decisions regarding the allocation of brokerage transactions for Funds, LGP will consider a variety of factors including but not limited to the broker-dealer's: (i) ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) financial strength, integrity and stability of the broker-dealer or counter party; (iv) competitiveness of commission rates in comparison with other broker-dealers; (v) research products/services provided by a broker-dealer; and (vi) belief that the broker-dealer will maintain confidentiality of the transactions. Although LGP generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services. LGP does not select broker-dealers based on investor referrals.

LGP does not participate in any soft dollar arrangements outside of receiving research available to other institutional investors. Research services received from brokers and dealers are supplemental to LGP's own research effort. To the best of LGP's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. LGP does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services (although these brokers will generally not separately disclose their costs in providing such research).

Item 13: Allocations Among Clients; Aggregation

Typically, only one Main Fund is actively investing capital and, accordingly, LGP generally does not need to allocate investments among multiple Main Funds. However, should more than one Fund be investing capital at a given time, and subject to any specific provisions of the respective agreements governing the Funds, LGP would seek to allocate investment opportunities in a manner that it believes to be in the best interest of all of the Funds involved and that it believes to be appropriate on an equitable basis. Among the factors that can impact allocation and investment decisions across Funds are: concentration restrictions, risk parameters, cash flow, liquidity needs, tax considerations, and other factors. In addition, the governing documents of the Funds contain certain provisions that address the allocation of investments as between active Funds, and sale and disposition opportunities.

In the event that LGP transacts in public securities, LGP may aggregate Fund transactions when such aggregation is expected to be in the best interest of all participating Funds. All Funds participating in an aggregated transaction will generally participate on a pro rata basis and receive the average price and pay a proportional share of any transaction costs, and will similarly exit the investment on the same terms and at the same time.

Trade errors

The cost of errors in the Funds will generally be borne by the Funds unless an error is the result of bad faith, gross negligence, or willful misconduct by LGP.

Item 14: Review of Accounts

Oversight and Monitoring

All investments are carefully reviewed and approved by LGP's investment professionals. The progress of all Portfolio Companies is carefully monitored on a periodic basis and is subject to the supervision and review by LGP investment professionals. LGP generally maintains an ongoing oversight position in its Portfolio Companies. The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the Fund review process is not directed toward a short-term decision to dispose of securities.

Reporting

LGP provides each Limited Partner with audited financials of the Fund in which they invest within 120 days after each fiscal year end, unaudited quarterly financial statements within 50 days of each quarter end, annual tax information for the completion of income tax returns, and regular reporting updates through investor letters, quarterly conference calls, meetings and conferences.

Item 15: Client Referrals and Other Compensation

During a fundraising cycle for a Fund, LGP has previously (but not since Green Equity Investors V, L.P.) and may in the future compensate placement agents who introduce new investors that commit capital to a Fund. The use of placement agents to raise capital for a Fund, and the fees paid to such placement agent, will be disclosed in the Fund's confidential offering materials or to the Limited Partners identified by such placement agents, as appropriate.

Certain Portfolio Companies offer discounted goods or services to LGP personnel and other LGP associates such as Portfolio Company executives and service providers. Such discounts are generally similar to those provided to management or employees of the Portfolio Companies. In addition, LGP may receive discounts from third-party service providers (e.g., shipping/ mailing services) through group purchasing discounts LGP negotiated on behalf of its Portfolio Companies.

In addition, please see Item 11 for further discussion on service providers.

Item 16: Custody

The Funds' cash and securities are held by qualified custodians that are not affiliated with LGP (including Wells Fargo Bank, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated), and LGP regularly reconciles its records to those of the qualified custodians. As mentioned in Item 14 above, each Fund is audited annually, and audited financial statements are provided to each Limited Partner within 120 days of the Fund's fiscal years.

Item 17: Investment Discretion

LGP has full discretionary authority over each of the Funds, as described in each governing documents and confidential offering materials.

Item 18: Voting Client Securities

The Funds are primarily invested in private companies that typically do not issue proxies. When LGP receives proxies in connection with its publicly traded Portfolio Companies, it is LGP's policy to exercise the proxy vote in the best interest of the Funds, taking into consideration all relevant factors, including without limitation, acting in a manner that LGP believes will: (i) maximize the economic benefits to the Fund, and (ii) promote sound corporate governance by the issuer. Whenever LGP is required to exercise a vote for a privately-held Portfolio Company, the same standards and procedures shall apply.

LGP seeks and accepts the election of LGP representatives to serve on the board of directors of a Portfolio Company on behalf of a Fund and will typically, but not always, vote in favor of board recommendations. In situations where LGP is required to vote the proxy for a company in which partners or employees of LGP serve on the board of directors, LGP has determined that this does not inherently present a conflict of interest, as the purpose of this representation is to maximize the return for the applicable Fund's investment in such company. Accordingly, while LGP is generally, but not automatically, fully supportive of recommendations made by a company's board of directors with respect to proxy votes related to that issuer, it will review all proxies in accordance with its proxy voting policies and may or may not vote in favor of the board's recommendation.

LGP has adopted written policies and procedures governing the proxy voting process and addressing conflicts of interest that may arise in connection with voting proxies. LGP may, however, vote in a manner that is contrary to the general guidelines if it believes that it would be in a Fund's best interest to do so.

Current Limited Partners may contact LGP's Chief Compliance Officer, Andrew Goldberg, at (310) 954-0436 for more information about proxy voting.

Item 19: Financial Information

LGP has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Funds.