

LLR Walnut, L.P. and its Relying Advisers

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This brochure provides information about the qualifications and business practices of LLR Walnut, L.P. and its Relying Advisers including LLR Management, L.P. If you have any questions about the contents of this brochure, please contact Michelle Vaughn at (215) 609-3365 or mvaughn@llrpartners.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about LLR Walnut, L.P. and its Relying Advisers are available on the SEC's website at www.adviserinfo.sec.gov.

LLR Walnut, L.P. is a registered investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

Item 2. Material Changes

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization, which are included herein.

We believe there haven’t been any material updates to this Form ADV filing since our last filing on March 29, 2020, however, in the interest of enhanced disclosure; we have updated our most recent year-end regulatory assets under management. We encourage you to carefully read this document in its entirety.

Table of Contents

| | |
|---|----|
| Item 1. Cover Page..... | 1 |
| Item 2. Material Changes | 2 |
| Item 3. General Information about LLR Management, L.P..... | 4 |
| Item 4. Fees and Compensation | 5 |
| Item 5. Performance-Based Fees and Side-By-Side Management | 7 |
| Item 6. Types of Clients..... | 7 |
| Item 7. Methods of Analysis, Investment Strategies and Risk of Loss..... | 8 |
| Item 8. Disciplinary Information | 17 |
| Item 9. Other Financial Industry Activities and Affiliations | 17 |
| Item 10. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 23 |
| Item 11. Brokerage Practices | 25 |
| Item 12. Review of Accounts..... | 25 |
| Item 13. Client Referrals and Other Compensation | 25 |
| Item 14. Custody | 26 |
| Item 15. Investment Discretion..... | 26 |
| Item 16. Voting Client Securities..... | 26 |
| Item 17. Financial Information | 26 |

Item 3. General Information about LLR Walnut, L.P.

LLR Walnut, L.P. (“LLR Walnut”) succeeded the fund advisory business of LLR Management, L.P. (“LLR Management” and together with LLR Walnut, “LLR”) on January 1, 2019 when LLR Walnut became a registered investment adviser with the United States Securities and Exchange Commission (“SEC”). From and after January 1, 2019, LLR Walnut serves as a lead advisory entity and LLR Management, L.P. will serve as a Relying Adviser under the firm’s umbrella registration with the SEC.

LLR Management, L.P. was co-founded by Partners Ira Lubert, Seth Lehr and Howard Ross (the “Co-Founders”) in 1999. The Co-Founders collectively have over 50 years of private equity and middle-market growth company experience. The Co-Founders are currently supported by five Managing Partners (collectively known as “Managing Partners”) and over 45 additional professionals with broad financial experience.

LLR provides investment management services to pooled investment vehicles, typically limited partnerships (referred throughout as the “LLR Funds” or the “Funds”), that invest primarily in lower middle-market growth businesses (“portfolio companies”) operating in various service-based industries and technology sectors. These investments employ a variety of structures and transaction types, including minority or majority ownership positions, growth capital, buyouts, recapitalizations or some combination thereof. References herein to LLR may include, as the context requires, various entities controlled by LLR and through which LLR provides investment management services, such as entities that serve as general partners to its Funds.

LLR’s only clients are the LLR Funds, each of which is not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and whose securities are exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). No Funds’ shares are offered hereby, and each Fund is open for investment through a “private placement” offering. The Funds are intended only for accredited investors, qualified clients and qualified purchasers, as defined under the Federal securities laws.

LLR provides investment advisory services to each Fund in accordance with the Fund’s limited partnership agreement (or analogous organizational document), applicable advisory agreement and private placement memoranda. Investment advice is provided directly to each Fund, subject to the discretion and control of the Fund’s general partner, and not individually to any investor in the Funds. Investment guidelines and restrictions for each LLR Fund are established in the organizational and offering documents of the applicable Fund.

As further discussed in this filing, LLR has established an internal “Value Creation Team,” that provides strategic planning, operational improvement and talent management consulting services to the LLR Funds’ portfolio companies, as well as diligence support in connection with LLR’s investing activities. Such services include, among others, managing executive searches, and serving in portfolio company management positions on an interim basis and providing support and project-based consulting services in areas of sales and marketing, information technology, finance and accounting, and other strategic and functional areas.

LLR has discretionary authority with respect to investment decisions for the LLR Funds and has \$2,797,385,739 in regulatory assets under management as of December 31, 2019.

Item 4. Fees and Compensation

The specific terms for the compensation of LLR by each Fund are dictated by the Fund's organizational documents, private placement memoranda and any other applicable agreements (such as side letters or fee waivers) which are provided to Fund investors (collectively known as "Offering Documents"). LLR's fees and compensation is deducted from the assets or distributions of the Fund and investors are not separately billed for services. The various fees which LLR receives will include the following:

Management Fee - Each LLR Fund pays an annual management fee (the "Management Fee"). A Fund's Management Fee generally will represent a percentage (up to 2%) of total capital commitments during a Fund's investment period and will be paid quarterly in advance as described in each Fund's Offering Documents. Thereafter, the Management Fee will be reduced to a percentage (up to 1.75%) of the aggregate invested capital for the remainder of the term of a Fund, less dispositions and permanent write-downs, where applicable. Management Fees may be negotiated to be lower for certain investors in a Fund based on the size of the investor's capital commitment in such Fund.

If a Fund's investment advisory agreement with LLR is terminated during a period where the Management Fees have been paid in advance, LLR would pro rate the Management Fee and reimburse the portion of such Management Fees covering the remainder of the period.

Carried Interest - The LLR Funds will also allocate a portion of their investment profits (up to 20%) to their respective Fund's general partners, which are related persons with respect to LLR, as set forth in each of the Fund's Offering Documents (such profit allocation is commonly referred to as "Carried Interest"). Carried Interest is generally subject to the achievement of an 8% annual rate of return ("preferred return") on the amount of the unreturned capital contributions of investors, as of the date of determination. Carried Interest, when applicable, is paid upon the distribution of proceeds generated by the dispositions of each Fund's portfolio investments and pursuant to a priority distribution waterfall after the return of invested capital and a preferred return. LLR Funds' Carried Interest is charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act")

Certain investors in the Funds, who are Co-Founders, Managing Partners, employees, affiliated persons and others, will not be subject to the Management Fee and/or the Carried Interest in connection with their investment in the Funds.

Special Income or Other Fees -). For the avoidance of doubt, neither Special Income nor Other Fees will include any fees or expenses paid directly by the Fund's portfolio companies for services rendered by the Value Creation Team or Senior Operating Advisors, as further discussed in this filing. If received, Special Income and Other Fees will be used to offset the Management Fee or otherwise be credited to, or shared with, the investors in a manner more fully described in the Fund's Offering Documents where applicable.

Other Types of Fees or Expenses - The Funds are responsible for all expenses related to its activities, including legal, auditing and accounting expenses, costs related to the identification of investments, purchase or sale (whether or not consummated) and holding of investments, travel, due diligence, finders (which may include Senior Operating Advisors), consultants including but not limited to Executives in Residence, research costs and software, interest on borrowed funds, taxes, commissions and brokerage fees, the cost of directors' and officers' liability insurance, risk management services and indemnification expenses, fees and disbursements of transfer agents, registrars, custodians, sub-custodians and escrow agents, the costs of investments and withdrawals by Partners and all other investment-related expenses,

expenses attributable to investment banking, accounting, audit, appraisal, legal, custodial, credit facilities and registration services provided to the Fund, including services with respect to the proposed purchase or sale of portfolio securities by the Fund (whether or not any such purchase or sale is consummated), broken deal expenses and the costs of risk management services and appropriate insurance coverage for the Fund including, without limitation, premiums for liability insurance to protect the Fund, LLR and affiliates in connection with the performance of Funds' activities. If not otherwise paid for by specific portfolio companies or potential portfolio companies, the Funds will also pay the cost and expenses associated with financial research and market analysis related to a specific portfolio company or potential portfolio investment. The Funds will pay for the preparation of reports and other communications to, and, in connection with meetings with any investor, and the Limited Partner Valuation or Advisory Committee ("Advisory Committee"). Additionally, the Funds will be responsible for all offering, marketing and organizational expenses incurred in the formation and liquidation of the Funds, subject to limitation, by the Fund's Offering Documents. Such expenses include the marketing and offering of interest in the Fund, including, without limitation, the costs, fees and expenses of: (a) attending conferences and meeting with potential investors; (b) negotiating the Fund's Offering Documents, any side letters and other associated documents, (c) legal, accounting, printing, filing, advisory, registration; (d) related to any travel (including meals and lodging); and other organizational activities. . Any expenses common to the Funds managed by LLR or its affiliates generally will be allocated among such entities on a basis reasonably believed by LLR and the managers of the other funds (as applicable) to be equitable based on the relevant facts, such as the relative sizes of the participating funds and the particular circumstances that caused the expense to be incurred with respect to each participating fund.

Value Creation Expenses - For LLR's latest private fund offering only, LLR Equity Partners V, L.P. ("LLR 5"), LLR will generally charge fees to LLR 5's portfolio companies and, in the case of fees charged for diligence support services, such fees will be charged to LLR 5 (the "LLR 5 VCT Fees"). The LLR 5 VCT Fees will include retainers for access to the Value Creation Team, project-based compensation (including on a fixed fee or a time and materials basis) for consultants or other similar fee arrangements, as well as fees for diligence support services provided by the Value Creation Team on both closed and unconsummated investments. Any LLR 5 VCT Fees charged to LLR 5 (as opposed to LLR 5's portfolio companies) will constitute Fund expenses. The cost of operating the Value Creation Team will include employee, consultant and independent contractor-related costs of the members of the Value Creation Team, including, as applicable, search-related fees to identify talent to grow the team, fees for services, cash salaries, cash bonuses, the costs of healthcare and other similar insurance benefits, and other typical employee-related expenses such as travel and the costs of information technology and communications equipment and related services (collectively, the "VCT Costs"). Any carried interest or similar equity-based compensation granted to members of the Value Creation Team will not be considered VCT Costs and no LLR employee primarily involved in either the sourcing of new Fund investments or in making investment-related decisions of LLR 5, the prior Funds or any successor Funds of LLR 5 will be designated as a member of the Value Creation Team for purposes of determining the VCT Costs.

LLR intends to operate the Value Creation Team on an annual break-even basis with respect to the receipt of LLR 5 VCT Fees. As a result, LLR 5 VCT Fees will not comprise Other Fees (and will not offset the Management Fee), except to the extent LLR 5 VCT Fees received in any calendar year exceed LLR 5's allocable share of VCT Costs in respect of such calendar year. LLR 5's allocable share of VCT Costs (such costs, "LLR 5 VCT Costs") in respect of any calendar year will be calculated by multiplying the VCT Costs

incurred by LLR in respect of such calendar by a percentage determined as of the end of such calendar year equal to:

- during the investment period, (a) the target commitments (or, after the final LLR 5 closing, actual commitments), divided by (b) the sum of (i) the target commitments (or, after the final closing, actual commitments) and (ii) the aggregate amount of capital (reduced by the amount of any permanent and unrecoverable write downs thereon) then invested in portfolio companies by the prior Funds (the “prior Funds invested capital”); and
- thereafter, (a) the aggregate amount of capital (reduced by the amount of any permanent and unrecoverable write downs thereon) then invested in Fund investments by LLR 5 (the “LLR 5 invested capital”), divided by (b) the sum of (i) the LLR 5 invested capital, (ii) the prior Funds invested capital, and (iii) the target commitments (or, after the applicable final closing but before the end of the applicable investment period, actual commitments) if during an investment period or, thereafter, the aggregate amount of capital (reduced by the amount of any permanent and unrecoverable write downs thereon) then invested in portfolio companies of any successor Funds of LLR 5.

A periodic schedule of the LLR 5 VCT Fees and the LLR 5 VCT Costs will be provided to the LLR 5 Advisory Committee. The above description of fees and expenses is not intended to be exhaustive; existing and prospective investors in the Funds are advised to review the Fund’s Offering Documents for a more extensive description of the fees and expenses before investing.

Item 5. Performance-Based Fees and Side-By-Side Management

Certain LLR employees and affiliated persons will receive Carried Interest, which is tied explicitly to the performance of the particular Fund, and such compensation will continue to be earned based upon the performance of a Fund’s portfolio, rather than that of individual investments. The existence of the Carried Interest may create an incentive for LLR to cause a Fund to make riskier or more speculative investments than would be the case in the absence of the Carried Interest.

Each of the LLR Funds will generally have a similar compensation structure, which will include a Management Fee and Carried Interest, as described above.

As a fiduciary to its Funds, LLR’s compliance policies and procedures and its code of ethics policy (collectively, the “Compliance Program”) prohibit the favoring of one Fund over another or considering LLR’s financial interest when providing investment advice to the Funds. In addition, part of LLR employees’ compensation may include Carried Interest, which is paid based on the Fund’s overall performance and not the outcome of any single transaction or investment.

Item 6. Types of Clients

LLR provides discretionary investment advisory services to the LLR Funds where each investor in the Fund is required to meet certain suitability qualifications, such as being an accredited investor, qualified client and qualified purchaser as defined in the meaning set forth under the Federal securities laws. Investors in the Funds will include, but are not limited to, governmental pension plans, corporate and business entities, endowments and foundations, trusts and high net worth individuals. Minimum capital commitments from investors are specified in each Fund’s Offering Documents. Each Fund’s general partner has the discretion to waive or reduce the minimum capital commitment and has done so for certain investors. Any disclosed

general partner commitments by LLR will be funded by contributions from the Co-Founders, Managing Partners, employees, affiliated persons and others.

Item 7. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies - LLR's investment objective is to provide Fund investors with superior, risk-adjusted returns through a diversified portfolio of investments in lower middle-market growth companies. LLR's core investment strategy is to make private equity investments in portfolio companies in order to generate capital appreciation. LLR pursues companies that it believes have attractive risk/return profiles and uses both quantitative and qualitative screens to evaluate each investment opportunity, seeking companies that typically possess a combination of one or more of the following attributes, among others: a proven and scalable business model, strong growth potential, a defensible market position and a core team of talented and committed managers. Each of the Fund's Offering Documents will more fully describe the Fund's specific investment objective and the risks associated with them. Prospective investors are advised to carefully read these documents before investing, as there can be no assurance that each Fund's objective and strategy will achieve any particular returns or avoid a loss. A Fund's ability to achieve returns will depend on a variety of factors, many of which are beyond its or LLR's control.

Material Risks - Investment in private equity funds involves a substantial degree of risk. A Fund may lose all or a substantial portion of its invested capital and Fund investors must be prepared to bear the risk of a complete loss of their investments.

Material investment risks, include but are not limited to, the following, each of which are described in more detail in the applicable Fund's Offering Documents:

- ***No Assurance of Investment Return*** - Past performance of any of the Funds, the general partner or LLR or any success they may have had in any similar venture is no assurance of future success, as investment results will not be guaranteed. The success of the Funds will depend on the general partners' ability to execute the business plan of each Fund and there can be no assurance that LLR will be able to effectively implement the Funds' acquisition, operating or growth strategies. LLR cannot provide assurance that it will be able to choose, make and realize gains on investments in any particular portfolio company and there is no assurance that the Funds will be able to generate returns for the investors or that any returns generated will be commensurate with the risks of investing in the type of companies and transactions described herein. Even if one or more of the portfolio companies is successful, there can be no assurance that the investors will receive distributions from the Funds in an amount equal to their investment in the Funds and investors may lose their entire investment. An investment in the Funds should only be considered by persons who can reasonably afford a loss of their entire investment.
- ***Nature of Investment and Illiquidity*** - An investment in the LLR Funds requires a long-term commitment with no certainty of return. There likely will be little or no near-term cash flow available to the investors. Most of the Funds' investments will be highly illiquid and there can be no assurance that the Funds will be able to realize returns on such investments in a timely manner. Dispositions of such investments may require a lengthy time period or may result in distributions in kind to the partners. Generally, the Funds will not be able to sell these securities publicly without the expense and time of registering them under the applicable Federal securities laws or will be

able to sell the securities only under Rule 144 or other rules that permit only limited sales under specified conditions. There can be no assurance that the Funds will successfully liquidate their investments in portfolio companies upon a sale, a public offering or otherwise. Since the Funds will only make a limited number of investments and since the Funds' investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to the investors.

- *Uncertainty of Financial Projections* – LLR will often rely on financial and operating projections for portfolio companies, which will normally be based on the judgments of the portfolio companies' management team. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.
- *Unspecified Investments* - An investment in the Funds represents an investment in the ability of LLR to select appropriate investments on behalf of the Funds rather than an investment in a specific portfolio of assets. The Funds may be unable to find a sufficient number of attractive opportunities to meet its investment objectives and it is possible that the Funds will not fully invest their capital if sufficiently attractive investments are not identified or, if identified, are not consummated. There can be no assurance that the Funds will be able to identify and complete investments or that the Funds' investments will be successful. Investors in the Funds will not have the opportunity to evaluate business, financial and other information that will be used by the general partner in its analysis, selection and monitoring of portfolio company investments for the Funds.
- *Risk of Certain Investments* - In connection with the disposition of an investment in a portfolio company, the Funds 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 will result in contingent liabilities, which might ultimately have to be funded by the investors to the extent of their commitment. The Funds may invest in companies that are financially leveraged or troubled or potentially troubled and may be or have recently been involved in restructurings, bankruptcy, reorganization or liquidation. Securities of such companies are likely to be particularly risky investments. As a result, the Funds may lose all or substantially all of its investment in any particular instance. In addition, there is no minimum credit standard that is a prerequisite to the Funds' investments in any security. Securities in which the Funds may invest may rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of whose debt securities may be secured by substantially all of the issuer's assets. Moreover, the Funds may invest in securities that are not protected by financial covenants or limitations on additional indebtedness.
- *Investments in Privately Held Companies Present Challenges* - The Funds will invest in privately held companies. Generally, very little public information exists about these companies and the Funds will be required to rely on the ability of the general partner to obtain adequate information to evaluate the potential returns from investing in these companies and to effectively structure transactions to protect the Funds' interests. Moreover, these companies typically depend upon the

management talents and efforts of a small group of individuals, and the loss of one or more of these individuals could have a significant impact on the investment returns from a particular portfolio company. Also, these companies frequently have less diverse product lines and a smaller market presence than larger competitors. They are generally more vulnerable to economic downturns and may experience substantial variations in operating results that may not impact other companies in the same industry.

- *Control Position* - The Funds will often obtain a controlling or other substantial position in a portfolio company. If such a position is taken, the Funds may be required to make filings concerning its holdings, and it may become subject to regulatory restrictions that could limit the ability of the Funds to dispose of its holdings at the times and in the manner the Funds would prefer. Violations of any such regulatory requirements could subject the Funds to significant liabilities. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. In addition, the Funds will incur large expenses when taking control positions in distressed securities and due to the uncertainty of such investments, there is no guaranty that such expenses can be recouped. Also, there is no guarantee that the Funds will succeed in obtaining control positions. This could result in the investments being frozen in minority positions that incur substantial losses.
- *Minority Ownership Positions* - The Funds also will invest in minority positions of portfolio companies. In such cases, the Funds will not be able to exert the same influence or control over the management of the portfolio companies as would be the case if the Funds maintained a controlling interest in such portfolio companies. In these cases, while the Funds may not acquire a controlling position in the business, LLR investment structures may include preferred securities with a mandatory redemption right exercisable after a certain number of years, board representation and other protective provisions requiring the consent of LLR for certain corporate matters. Even with such structuring in place, the Funds' investment will be reliant on the portfolio company's management and board, which may include parties whose interests may conflict with the interests of the Funds. In cases in which the Funds do not maintain a controlling interest, the Funds will be subject to the discretion of others as to the management of such portfolio companies. These parties may execute a management plan or make strategic judgments that differ from that of the Funds, in which case, the performance of the Funds' investments in such companies will be subject to the decisions of such parties. There can be no assurance that the management team of a portfolio company will operate the portfolio company in accordance with the Funds' plan or in a manner in which the Funds would manage such investment if they maintained greater control.
- *Investments or Operations Outside the U.S. and Canada* - The Funds may invest, to a limited extent, in portfolio companies which have a principal place of business or operations that are located outside the U.S. or Canada, and these overseas investments will entail risks not present in U.S. markets. These risks include the possibilities that foreign markets may not be as developed or efficient as those in the United States, that securities of some foreign issuers may be less liquid than those of comparable U.S. issuers, that volume and liquidity in most foreign markets are less than in the United States, and that at times volatility of price can be greater than in the United States. In addition, applicable regulations may be less stringent or different than in the U.S., less

information may be publicly available, and non-U.S. issuers and foreign operations may not be subject to accounting and financial reporting standards, practices and requirements comparable to those applicable to U.S. issuers. Many of the potential risks that exist in overseas markets may also exist in Canada. Moreover, because evidences of ownership of such instruments may be held outside the United States, the Funds will be subject to additional risks, including possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions, which might adversely affect payments on foreign instruments or might restrict payments to foreign investors.

- *Investments in Regulated Industries* - LLR will invest in businesses that operate in sectors that are under close and frequently changing regulation, regulatory and legislative oversight, and governmental agency scrutiny. In addition, various legislative proposals are introduced from time to time at the federal and state level, and any such proposals, if adopted, could have a significant adverse impact on the industries in which a Fund will invest. In addition, if a portfolio company fails to comply with the regulatory requirements for its business, it could face significant monetary liabilities, fines and penalties, as well as reputational damage, each of which would have a significant adverse effect on the operating results of the portfolio company and in turn, the performance of a Fund.
- *Investment in Software and Technology-Enabled Business Models* – LLR will invest in businesses that operate business models characterized by rapidly changing market conditions and participants, new competing products, changing consumer preferences, short product life cycles, and improvements in existing products. There is no assurance that products or services sold by the portfolio companies will not be rendered obsolete or adversely affected by other challenges, including downward pressure on pricing which may occur as the result of technology innovations that may get introduced. Fund portfolio companies may suffer decreased business success, worsened financial condition, and negative cash flow and operations results if they are unable to adequately respond to changes in market conditions due to rapid technological and other changes, which may adversely affect a Fund's investment in such companies.
- *Concentration* - Because the LLR Funds have the ability to concentrate their investments by investing a certain amount of their commitments in a single portfolio company and an unlimited amount of their assets in a single industry, the overall adverse impact on the Funds of adverse movements in the value of the securities of a single issuer or industry may be considerably greater than if the Funds were not permitted to concentrate its investment to such an extent.
- *Leverage* - The Funds will also invest in portfolio companies which may borrow without limitation and may utilize various lines of credit and other forms of leverage. While leverage presents opportunities for increasing a portfolio company's total return, it has the effect of potentially increasing losses as well. The use of leverage results in increased interest expense and other costs to the company that may not be covered by revenues during economic downturns. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of the portfolio company's net assets will decrease. Accordingly, any event that adversely affects the value of an investment by a portfolio company would be magnified to the extent a portfolio company is leveraged. Leverage also may impose restrictive financial and operating covenants on a company, in addition to the burden of debt service, and could impair its

ability to finance future operations and capital needs. Leveraged portfolio companies will expose the Funds' investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Funds' investments in leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service requirements, the Funds may suffer a decrease in income or loss of principal, which could adversely affect the returns of the Funds.

- *Competition for Investments* - The Funds will be subject to intense competition for investment opportunities with many sources of capital, including financial buyers (including other private equity funds), strategic buyers and other financing sources. The population of financial buyers has increased and the aggregate capital available to such buyers is significant. Strategic buyers are active acquirers of businesses and often have the ability to pay more for an investment given the perceived synergies with their existing businesses. Some of these competitors may have more relevant experience and greater financial resources than LLR or the Funds. Additionally, such competitors may also be able to accept (or be willing to take on) more risk than the Funds deem prudent. Increased competition would make it more difficult for the Funds to originate, negotiate and close investments at attractive prices. In addition, the Funds may make investments in foreign markets, which will add a new level of competition. As a result of this competition, sometimes the Funds may be precluded from making otherwise attractive investments or may be required to compete with other market participants for investment opportunities. There can be no assurance that the Funds will be able to invest its capital on terms favorable to the Funds.
- *Risks Relating to Due Diligence of and Conduct at Portfolio Companies* - Before making investments, LLR will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, including Senior Operating Advisors, Executives in Residence, legal advisors, accountants, investment banks and other third parties will be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants will present a number of risks, primarily relating to LLR's reduced control of the functions that are outsourced. In addition, if LLR is unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, LLR will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that LLR carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. There can be no assurance that attempts to provide downside protection with respect to Investments will achieve its desired effect and potential investors should regard an investment in a Fund as being speculative and having a high degree of risk.
- *Reliance on Management* - Decisions with respect to the management of the Funds will be made by LLR. The success of the Funds will depend on the ability of LLR to identify and consummate

suitable investments and dispose of the investments at a profit. The loss of the services of one or more of key personnel could have an adverse impact on the Funds' ability to realize its investment objectives.

- *Investment Guarantees and Indemnities* - In certain investments, the prior Funds have entered into guarantees of investment-level obligations (i.e., portfolio companies), letters of credit or indemnities related to the investment with third parties and Funds will do so in the future. These guarantees and indemnities will expose the Funds to additional risk and default of repayment of such guarantees. In addition, these guarantees may provide for joint and several liabilities between a main Fund and a parallel fund. If they do, it is possible that either the main Fund or a parallel Fund would be required to pay amounts under these agreements that exceed their respective pro rata share (based on relative amounts invested) of the obligation or even the full amount of the obligation. To address this possibility, if they enter into joint and several guarantees or indemnities, a main Fund and a parallel Fund will typically enter into a cross-indemnity between themselves pursuant to which each will indemnify the other, to the extent one of them pays more than its pro rata share of any such obligations. However, there still would be a risk that either the main Fund or a parallel Fund will be ultimately responsible for more than its pro rata share of any obligation.
- *Need for Follow-On Investments in Portfolio Companies* - Certain investments made by the Funds will need additional capital. The inability to obtain such follow-on capital may have an adverse effect upon the Funds' investments.
- *Bridge Financing* - From time to time, a Fund will lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. A Fund may also make other short-term investments in portfolio companies. Such bridge investments would typically be convertible into a more permanent, long-term security; however, for reasons not always within the Fund's control, such long-term securities may not be issued, and such bridge investments will remain outstanding. In such event, the interest rate on such investments may not adequately reflect the risk associated with the unsecured position taken by a Fund.
- *Market Volatility* - Volatile market conditions can potentially have a dramatic effect on private equity investing. In addition, pandemics, terrorist attacks and other acts of violence or war may affect the operations and profitability of the Funds' portfolio companies. Such events could cause consumer confidence and spending to decrease or result in increased volatility and uncertainty in the U.S. and worldwide financial markets and economy. Any of these occurrences could have a significant impact on the operating results and revenues of the Funds' portfolio companies and, in turn, on the return of the Funds' investments.
- *The Funds May Hold Investments at the Date of the Termination of Each Fund* - The Funds will make investments with maturity dates later than the date on which each Fund will be dissolved, either by expiration of each Fund's term or otherwise. Although LLR expects that investments will be disposed of prior to dissolution, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. LLR may also seek Fund extensions in accordance with the Fund's organizational documents or be required to distribute such investments to the investors if it cannot liquidate them in a manner that it believes to be in the

best interests of the Funds, which will result in investors holding securities which maintain substantial limitations on the ability of investors to transfer them.

- *Limitation to Participation in Management; Potential Concentration of Voting Power* - LLR will control most decisions, including decisions relating to the day-to-day operations of the Funds. Fund investors have no right to participate in the management of the Funds or to otherwise participate in making decisions that may materially affect the value of their investment. Investors will be able to vote on matters concerning the Funds only in a very limited set of circumstances as outlined in the Fund's Offering Documents, such as removing the general partner or terminating the investment period in certain circumstances. Even in situations in which the investors vote on Fund matters, a small group of investors with relatively large commitments will have the requisite percentage of votes to determine the outcome of such decisions. Such a concentration of voting power, if it occurs, could have the effect of limiting the ability of investors with relatively smaller commitments to have a meaningful vote on matters requiring a vote.
- *Limited Recourse and Indemnification* - The partnership agreements limit the circumstances under which LLR, or their affiliates will be held liable to the Funds. As a result, investors will have a more limited right of action in certain cases than they would have in the absence of such limitations. In addition, the partnership agreements provide that the Funds will indemnify LLR, their affiliates, partners and employees for certain claims, losses, damages and expenses arising out of their activities on behalf of the Funds. Such indemnification obligations could materially adversely affect the returns to investors. An indemnification obligation of the Funds would be payable from the assets of the Funds, including unpaid commitments of the investors. Additionally, LLR's insurance coverage may not include enough coverage to address all claims, losses, damages or expenses that might arise. If either the assets or the insurance coverage of the Funds is insufficient, LLR may recall capital previously returned to the Investors.
- *Portfolio Company Litigation* - To the extent that litigation arises with respect to any of the Funds' portfolio companies, LLR or the Funds may be named as a defendant, and as a result, there could be significant costs and a diversion of management's time and resources. Additionally, to the extent that LLR provides any managerial assistance to the portfolio company or has representatives on such portfolio company's board of directors, the costs and diversion of management's time and resources in assessing the portfolio company could be substantial in light of any litigation, regardless of whether LLR or a Fund is actually named as a defendant. Furthermore, any litigation involving a portfolio company may be costly and affect the operations of such portfolio company's business, which could in turn have an adverse impact on the value of the Fund's investment in such company. The aforementioned litigation risks are particularly acute in industries characterized by evolving litigation and liability environments that will change over time based on judicial decisions and legislative activity which include certain industries in which LLR Funds have invested or are expected to invest, including the security, education, financial services and healthcare industries.
- *Platform Companies* - From time to time, LLR will recruit a management team to pursue a new "platform" opportunity which could lead to the formation of a future portfolio company. In this case, the Funds will bear the expenses of the management team, including any overhead expenses, due diligence expenses or other related expenses in connection with backing the management team and building out the platform company. Such expenses will be borne directly by a Fund or indirectly

as the Funds bear the start-up and ongoing expenses of the newly formed platform portfolio company.

- *Changes in Environment* – LLR’s investment program is intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which a Fund operates is expected to undergo substantial changes, some of which will be unfavorable to a Fund. LLR will have the exclusive right and authority (within limitations set forth in the Partnership Agreement) to determine the manner in which LLR shall respond to such changes, and Limited Partners generally will have no right to withdraw from a Fund or to demand specific modifications to the Fund’s operations in consequence of such changes. Prospective investors are particularly cautioned that the investment sourcing, selection, management and liquidation strategies and procedures exercised by members of LLR in the past may not be successful, or even practicable, during the term of a Fund.
- *Duties of Members of Valuation or Advisory Committee* - Neither the members of the Fund’s Valuation and/or Advisory Committees (i.e., third party investor committee) nor investors whom they represent will owe any duties (fiduciary or otherwise) to the Funds, any other investor or any other person or entity with respect to their activities on the Valuation and/or Advisory Committees other than their obligation to act in good faith. The members of these Committees are permitted to consider only the respective interests of the investors whom they represent when making any decisions as members of these Committees.
- *Force Majeure* - Portfolio company investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to a Fund or a portfolio company) to perform its obligations until it is able to remedy the force majeure event. In addition, forced events, such as the cessation of the operation of machinery for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to a portfolio company or a Fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to the Funds, including if the investment in such portfolio companies is canceled, unwound or acquired (which could be without adequate compensation). Any of the foregoing may therefore adversely affect the performance of a Fund and its investments.

- Consequences of Default* - If investors fail to fund their commitment obligations or to make required capital contributions when due, the Funds' ability to complete their investment program or otherwise continue operations may be substantially impaired. An investor's failure to fund such amounts when due is an event of default. A default by a substantial number of investors will limit opportunities for investment diversification and may reduce returns to the Funds. A default by any single investor could result in substantial costs to the Funds if such default causes the Funds to fail to meet its contractual obligations or if LLR must pursue remedial action against such investor as outlined in the Fund's Offering Documents. A default will have significant adverse consequence to the investors.
- Limited Transferability and Illiquidity of Interests* - Purchase of the interests should be considered a long-term investment. Fund investors may not withdraw capital from the Funds. Transfer of the interests is subject to significant restrictions. Interests are not transferable except with the consent of the Fund's general partner. There will be no public market for the interests. Each investor will be required to represent that it is acquiring interest in a Fund for investment purposes only and not with a view to resale or distribution. Each investor must be prepared to bear the economic risk of an investment for an indefinite period. The interests will not be registered under the Securities Act by reason of specific exemptions under the provisions of the Securities Act, which exemptions depend, in part, upon the agreement of the purchasers not to transfer their interests absent registration thereof or reliance upon an applicable exemption from such registration requirements. Sales or other transfers of the interests will be made only in compliance with the Securities Act, applicable state securities laws and certain limitations set forth in the partnership agreement, such as prohibitions on transfers if each Fund would be required to register as an "investment company" under the Investment Company Act. Each Fund is not obligated to, nor does it intend to, register the Interests in order to permit the resale thereof by investors. Because of these restrictions and the absence of a public market for the interests, an investor will be unable to liquidate its investment even though its personal financial circumstances would make liquidation advisable or desirable. The interests will not be readily acceptable as collateral for loans. Moreover, even if an investor were able to dispose of its Interests, adverse tax consequences could result.
- Cybersecurity* – LLR, the Funds' service providers, portfolio companies and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. LLR has taken steps to evaluate and mitigate cybersecurity risks, but there can be no assurance that such steps and any policies or practices will adequately address or prevent all types of cybersecurity risks. Such systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to our systems. Third parties may also attempt to fraudulently induce employees or investors to disclose sensitive information in order to gain access to LLR's data or that of the Funds' investors. A successful penetration or circumvention of the security of the LLR's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause LLR or the Funds to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

- *Fraud* - There can be no assurance that LLR or a Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor its investments on an ongoing basis. In the event of fraud by any portfolio company or any of its employees or affiliates, a Fund may suffer a partial or total loss of capital invested in that portfolio company. An additional concern is the possibility of material misrepresentation or omission on the part of a portfolio company. Such inaccuracy or incompleteness will adversely affect the value of Funds' securities and/or other investments in such portfolio company. In certain investments, LLR will rely upon the accuracy and completeness of representations made by portfolio companies and/or their former owners, if applicable, in the due diligence process to the extent reasonable when it makes its investments, but it cannot guarantee such accuracy or completeness. Under certain circumstances payments to a Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.
- *Conflicts of Interest* - Conflicts will arise in instances where the interests of LLR and its affiliates will conflict with the interests of the Funds and the investors. Fund investments are also subject to various conflicts of interest, including those between co-investors in specific projects, between various investors in a Fund, and between LLR and a Fund. Prospective investors are advised to review the applicable Fund's Offering Documents that discuss the conflicts of interests when investing in a Fund. Additional conflicts of interest information are described in Item 9.

Item 8. Disciplinary Information

Neither LLR nor any of its employees have been involved in the past ten years in any legal or disciplinary event that LLR believes is material to an investor or prospective investor in their evaluation of LLR's advisory business or management.

Item 9. Other Financial Industry Activities and Affiliations

LLR has relationships and arrangements that are material to LLR's advisory business with the following entities:

LLR utilizes Independence Capital Partners, LLC ("ICP"), an affiliated entity, to provide certain non-investment services, such as compliance and insurance. ICP provides similar services to its other affiliated investment advisory firms, which include: Lubert-Adler Management Company, L.P.; Patriot Financial Manager, L.P.; Quaker Partners Management, L.P. (an exempt filer); LBC Credit Management, L.P.; and LEM Capital, L.P. (collectively, the "ICP Affiliate Firms"). Each ICP Affiliate Firm is separately managed by its partners and investment professionals and offers advisory services to various private investment funds. The Co-Founders of LLR and Mitchell Hollin, a Managing Partner, have equity ownership interests in Patriot Financial Manager, L.P., Quaker Partners Management, L.P. and LBC Credit Management, L.P. In addition, Mr. Lubert has ownership and partnership responsibilities in ICP, all ICP Affiliate Firms and other private investment funds and operating businesses.

Each ICP Affiliate Firm manages private investment funds that will invest in real estate, private equity, debt or venture capital companies, some of which will have investment mandates that are

similar to the investment mandates of the LLR Funds. The ICP Affiliate Firms engage in, and will continue to engage in, private equity, debt, and real estate investment activities for their funds.

As a result of the use of ICP's services by LLR and the other ICP Affiliate Firms, ICP will incur costs and expenses that comprise expenses to a Fund. A portion of such costs and expenses will be reimbursable by a Fund. Such costs and expenses will be allocated among the ICP Affiliate Firms (including their advised funds), taking into account such factors as the ICP Affiliate Firms may reasonably determine, including, without limitation, the estimated relative costs for each ICP Affiliated Firm on a stand-alone basis, the relative capital called or estimated to be called for each fund and other relevant factors. To that end, if one or more funds managed by an ICP Affiliate Firm is dissolved or otherwise experiences a substantial decrease in available capital, the remaining ICP Affiliate Firm funds (including LLR Funds) will be required to reimburse a greater portion of the costs and expenses incurred by ICP than otherwise would have been allocated on a *pro rata* basis.

Conflicts of Interest – Please see below for descriptions of various conflicts of interest that will arise as a result of LLR's management of its Funds.

Allocation of Insurance Coverage - The ICP Affiliate Firms and the Funds they manage will share coverage under certain insurance policies, such as general partner liability insurance and crime insurance. The cost of such shared policies will be allocated as reasonably determined by the ICP Affiliate Firms, taking into account various relevant factors, including, without limitation, the estimated relative costs of standalone policies for the ICP Affiliated Firms, the relative capital called or estimated to be called for each Fund, and the relative claims experience of the ICP Affiliated Firms.

Co-investment Opportunities between LLR Funds - Investment opportunities will arise that are appropriate for co-investment between LLR Funds. Under the organizational documents and as fully described in the Funds' Offering Documents, investment opportunities are to be presented in a specific manner. For example, unless the investment is the last investment of a Fund and the first investment of a successor Fund and made on a *pari passu* basis (that is, in the same securities and financing round), LLR Funds may not co-invest with each other without approval from the applicable Valuation and/or Advisory Committee (i.e., third party investor committee approval).

Co-investment Opportunities between the Funds and ICP Affiliate Firms Funds - Certain potential investment opportunities that will be appropriate for the LLR Funds may also be appropriate for another ICP Affiliate Firms' fund. Although LLR does not believe that there will be significant overlap of investment opportunities between the Funds and other ICP Affiliate Firms' funds, in situations in which overlap opportunities do exist, potential conflicts exist as to the allocation of such investment opportunities between, or the terms and conditions of, or any co-investment by, the entities. In these situations, the investment team which first sourced or originated the opportunity will invest in the opportunity without offering it to other ICP Affiliate Firms' funds. If LLR does not invest in an opportunity it sources or originates, the other ICP Affiliate Firms may be offered the opportunity to make the investment. If Mr. Lubert were to source an investment opportunity suitable for an LLR Fund, he may have an obligation to share that opportunity with other ICP Affiliate Firms before LLR.

If LLR determines in its reasonable discretion that it would be advantageous to co-invest in an opportunity with one or more ICP Affiliate Firms funds, then the LLR Fund may co-invest with the other ICP Affiliate Firms funds in such an investment on a *pari passu* basis (that is, in the same securities and financing round). These co-investment opportunities will be subject to the approval of the co-investing ICP Affiliate Firms' Valuation or Advisory committees or advisory or executive boards in accordance with their respective fund organizational documents. LLR expects that the relative amounts co-invested by the ICP Affiliate Firms will be determined in the reasonable discretion of LLR and the investment teams of the other applicable ICP Affiliate Firms' funds based on the investment team who first sourced or originated the deal and the relative available capital, investment objectives, financing capacity and diversification limits of each fund participating in the co-investment (among other factors).

Co-investments with other ICP Affiliate Firms' funds that are not made on a *pari passu* basis, the investment opportunity will need to be cleared by the Fund's Valuation or Advisory Committee before such investment can be made by a Fund. As a result of this conflict resolution process, the amount a Fund invests in a particular investment opportunity may be less than it otherwise would be willing and able to invest, and, in certain cases, a Fund may be required to forego certain investment opportunities that otherwise would be appropriate. In addition, co-investment by other ICP Affiliate Firms funds may curtail the co-investment opportunities available to investors.

Co-investment Opportunities between the Funds and Institutional Investors - In accordance with the Fund's Offering Documents, LLR may, in its sole discretion, offer to certain institutional investors an opportunity to invest in a Fund investment ("Co-Investment Opportunity") provided, however, that no such co-investment will be permitted unless and until LLR has determined that the Fund's investment and the amount considered is prudent for the Fund. If a Co-Investment Opportunity is offered, certain institutional investors will be allowed to invest on substantially the same terms and conditions as the Fund, subject to tax, legal, regulatory or similar considerations, *pro rata* based on their respective capital commitments to the Fund. If any institutional investor who is offered a Co-Investment Opportunity does not exercise its right to invest in such Co-Investment Opportunity, LLR is permitted to offer such unexercised Co-Investment Opportunities to all other Fund investors, and if offered, such Fund investors will have the right to co-invest *pro rata* based on their respective capital commitments as the case maybe; provided that any co-investment by an affiliate of LLR is approved by the Fund's Valuation or Advisory Committee. Additionally, if a Fund investor directs an investment opportunity to the Fund or affords the Fund a unique strategic advantage, that investor, which will include Senior Operating Advisors and Executives in Residence, may be given the opportunity, in LLR's sole discretion, to co-invest in the portfolio investment and LLR will notify the applicable Valuation or Advisory Committee of the co-investment. LLR may not receive from any institutional investors in its capacity as co-investor (except through the Fund) any amounts similar to the Management Fee or any amounts representing a promoted interest.

To the extent LLR incurs costs and expenses associated with initiating a Co-Investment Opportunity that subsequently does not close, those costs and expenses will be borne by a Fund as a Fund Expense. In the event that LLR is not successful in offering a Co-Investment Opportunity to potential co-investors, in whole or in part, a Fund will consequently have a greater concentration

and exposure in the related investment opportunity than was initially intended, which could make a Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions effecting the related investment. In addition, the Fund will bear all broken-deal expenses for a transaction that is not ultimately consummated, even if a co-investment offering is contemplated. Moreover, an investment by a Fund which is not syndicated to co-investors as originally anticipated could significantly reduce the Fund's overall investment returns.

LLR may determine that it is desirable for all or a portion of an investment opportunity to be purchased by certain participants in the applicable deal, including, without limitation, co-sponsors, consultants and advisers (including Senior Operating Advisors and Executives in Residence) to LLR, its employees, employees of an applicable portfolio company, strategic partners (which may include Limited Partners) or such persons acting as finders or brokers of transactions. These Co-Investment Opportunities may be offered by LLR without regard to the co-investment procedures described above. In all such co-investing situations, LLR will act in the best financial interest of a Fund.

LLR will form, operate and manage one or more co-investment vehicles designed to participate in one or more Co-Investment Opportunities and admit any partner or other person thereto. Any such co-investment vehicle (and, in turn, the partners or other equity owners thereof) may be entitled to participate in some or all of the Co-Investment Opportunities that such partner or other person would otherwise be entitled to participate directly pursuant to Fund's Offering Documents. LLR may have discretionary authority over any such co-investment vehicle, to the extent set forth in the Fund's Offering Documents.

LLR has formed a co-investment vehicle with an institutional investor in LLR 5, and LLR may form additional co-investment vehicles in the future. While it is expected that the interests of LLR 5 and any such co-investment vehicle will generally align over the course of their respective investment programs, there can be no assurance that the interests of the investors and LLR 5 will not conflict with those of any such co-investment vehicle or the investors therein. In any such situation, LLR will attempt to mitigate any such conflict, including by seeking consent of the investors, the Fund's Advisory Committee or the investors in any such co-investment vehicle. In addition, LLR may elect to operate any such co-investment vehicle as a "venture capital operating company," in which case such co-investment vehicle may have rights to governance in respect of its portfolio companies that LLR 5 does not enjoy.

Cross Trades, Principal Trades and Personal Transactions - An LLR Fund may not acquire any portfolio investment from or sell any portfolio investment to any of its affiliates, the affiliates of LLR, or any key persons as defined in the Fund's organizational documents or an employee, director or officer of LLR, other than the parallel funds(s), without the approval of the applicable Fund's Valuation or Advisory Committee. Furthermore, as expressly set forth in each of the Fund's organizational documents, LLR may not cause a Fund to enter into any contract or transaction with any affiliate of LLR or key person (excluding portfolio companies) or any partner of the general partner, unless (i) such contract or transaction is consistent with the other provisions of a Fund's organizational documents; (ii) the terms of any such contract or transaction are no less favorable to the Fund than could be obtained in arm's-length negotiations with unrelated third parties, and (iii) such contract or transaction has been approved by each Fund's respective third party investor

committee. No Co-Founder, Managing Partner or employee will invest directly in a privately held company in which an LLR Fund can invest without first seeking pre-clearance, as required by LLR's code of ethics, and offering that investment opportunity to an LLR Fund or obtaining approval from the Fund's Valuation or Advisory Committee. Additionally, no employee may acquire portfolio securities issued by a public company without preapproval, as required by LLR's code of ethics. LLR Co-Founders, Managing Partners and employees will hold investments in portfolio company securities that they made prior to being employed by LLR or before a portfolio security was being actively considered as an investment for a Fund.

Other Managed Entities for LLR 5 - In the event that LLR forms one or more other managed entities while LLR 5's investment period is open, that managed entity may participate (a) in any investment opportunity rejected by LLR 5, or (b) in any investment opportunity available to LLR of \$15.0 million or less. LLR must notify LLR 5's Fund Advisory Committee at its next regularly scheduled meeting of any investment opportunity described in the foregoing clause that is ultimately consummated by such managed entity.

Outside Business Activities – Voting members of LLR's Investment Committee will have business interests separate and apart from their interests in the LLR Funds and will pursue additional investment opportunities outside of the LLR Funds to the extent not prohibited by the applicable Funds' Offering Documents. New outside business interests are subject to review by the Chief Compliance Officer to check for identifiable material conflicts of interest. Existing outside business interests are reviewed at least annually for changes in circumstances which may be expected to lead to material conflicts. When a member of the Investment Committee becomes aware of a material conflict of interest between them or their role with respect to the Fund and one of their outside business interests, they are expected to inform LLR's Chief Compliance Officer and, where possible, propose methods to mitigate the conflict. Mitigation efforts may include, among other things, recusing themselves from participating in certain decisions, and, where required by a Fund's limited partnership agreement, disclosing such material conflict to, or seeking a waiver of such conflict from, the applicable Fund's Valuation or Advisory Committee. Nevertheless, from time to time, various conflicts of interest will arise.

Relying Advisers - LLR provides investment advisory services to, and it and its affiliates serve as sponsors of, the Fund, and will, in the future, provide investment advice to and/or serve as sponsors of affiliated investment partnerships, limited liability companies and their general partners or managing members, as applicable. The general partners and the managing members are also investment advisers registered in accordance with SEC guidance under the Advisers Act pursuant to LLR Management L.P.'s registration. These affiliated investment advisers operate as a single advisory business together with LLR Management, L.P. are under common control and are subject to LLR's Code of Ethics and compliance programs adopted pursuant to the requirements of the Advisers Act.

Senior Operating Advisors - LLR hires third party consultants throughout its Funds' investment processes, including Senior Operating Advisors (formerly known as Operating Partners), who are former senior executives with operating experience and industry-specific knowledge. Senior Operating Advisors assist LLR with a variety of activities, including market research, new investment identification, pre-investment business diligence and post-investment value creation. As

background, Senior Operating Advisors are individuals who have experienced success in their careers, typically as a CEO or senior executive, but no longer seek to work full-time and still want to be actively engaged in a senior advisory role to businesses. LLR's Senior Operating Advisors are not employees of LLR but consultants who typically work exclusively with LLR on lower middle market companies in their sectors.

Senior Operating Advisors are paid a retainer by LLR and retainer rates vary depending upon a number of variables, including expertise and time commitment to LLR. These individuals are also able to co-invest in transactions in which they are involved under the same terms and conditions as the Fund. Senior Operating Advisors often take a board seat, can provide additional services directly to the Fund's portfolio companies and may also earn transaction-related finder's fees on new Fund investments. In such cases, Senior Operating Advisors may receive compensation directly from the portfolio company or the Fund. As Senior Operating Advisors are third-party consultants and not employees of LLR, this compensation is not "Special Income" and therefore, will not offset LLR's Management Fees.

In addition, LLR will hire third party consultants, known as Executives in Residence, who will assist LLR in the pursuit of a new "platform" opportunities and in the formation of a future portfolio companies for a specific LLR Fund. In this case, the Fund will bear the expenses of the Executives in Residence, including any salary and overhead expenses, due diligence expenses or other related expenses in connection with the formation and building out of any such Fund platform company. Neither Senior Operating Advisors nor Executives in Residence are considered "Access Persons" under the LLR Code of Ethics, but they are subject to confidentiality requirements.

Service Providers - Certain advisors and service providers (including accountants, administrators, lenders, brokers, attorneys, consultants, investment or commercial banking firms) will be investors in the LLR Funds. These relationships may influence LLR in deciding whether to select or recommend such a service provider to perform various services for a Fund or a portfolio company (the cost of which will generally be borne directly or indirectly by a Fund or portfolio company, as applicable). Notwithstanding the foregoing, investment transactions for a Fund that require the use of a service provider will generally be allocated to service providers on the basis of best execution and other considerations, such as service provider's provision of certain investment-related services that LLR believes benefits a Fund. In certain circumstances, advisors and service providers will charge different rates or have different arrangements for services provided to other ICP Affiliate Firms and affiliates as compared to services provided to a Fund and its portfolio companies, which will result in more favorable rates or arrangements than those payable by a Fund or such portfolio companies.

Shared Subscription Lines of Credit – LLR will utilize revolving credit facilities (subscription lines) secured by the capital commitment of its Fund investors. LLR 5 has entered into such a joint credit facility with LLR Equity Partners IV, L.P. ("LLR 4"). Costs will be allocated based upon each Fund's usage and neither Fund will be required to repay, under any circumstances, amounts which the other Fund borrows. However, an event of default by either Fund could result in the banks requiring the other Fund to repay its borrowings (and/or cash collateralize letters of credit) on demand.

Side Letters - LLR and/or the Funds will from time to time enter into other written agreements or side letters, with one or more investors whereby, in consideration of agreeing to invest certain amounts in a Fund and other consideration deemed material to a Fund in the sole discretion of LLR or an affiliate, such investors will be granted rights not otherwise afforded to other investors who have invested lesser amounts. These side letters may entitle an investor to make an investment in a Fund on terms other than those described in the Funds' Offering Documents. Any such terms, including with respect to (i) reporting obligations; (ii) transfer rights to affiliates; (iii) withdrawal rights due to adverse tax or regulatory events; (iv) consent rights to certain partnership agreement amendments; or (v) any other matters described in the Fund's Offering Documents may be more favorable than those offered to any other investors who have invested lesser amounts. Such agreements will have the effect of establishing rights under, or altering or supplementing the terms of, the partnership agreement with respect to such investor.

Taxable and Non-taxable Entities - Investors in the LLR Funds are expected to include both taxable and tax-exempt entities. In addition, investors likely will include persons and entities organized in various jurisdictions. As a result, decisions made by LLR and its affiliates may create conflicts of interest among such investors because those decisions may be more beneficial for one type of investor than for another. In selecting investments that are appropriate for a Fund, LLR will consider the investment objectives of each Fund as a whole and not the investment objectives of any individual investor.

Value Creation Team - While LLR believes the LLR 5 VCT Fees will be reasonable relative to the services made available or provided by the Value Creation Team, LLR 5 VCT Fees may not be negotiated at arm's length and may be in excess of fees that may be charged by third-party consulting firms providing similar services. Additionally, portfolio companies will be controlled or influenced by LLR 5 and may be directed to use the services of the Value Creation Team, even in cases where a third-party may be more effective or where no third-party would otherwise be engaged. Moreover, in cases where LLR 5 VCT Fees are paid on a retainer basis or project-based fee, the applicable portfolio companies may not avail themselves fully of the services of the Value Creation Team and, in such cases, any LLR 5 VCT Fees paid by the applicable portfolio companies would not represent the value of services rendered. Members of the Value Creation Team will not focus their efforts exclusively on LLR 5 and its portfolio companies and will provide services to portfolio companies of earlier LLR Funds, and any successor fund of LLR 5. As a result, there can also be no assurance that the LLR 5 VCT Fees will accurately reflect the value of the services made available or provided by the Value Creation Team to LLR 5 or its portfolio companies. This may be exacerbated during the early years of the Investment Period as LLR 5 begins to invest capital in portfolio companies.

Item 10. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics - LLR has adopted a written Code of Ethics (the "Code") that is applicable to all of its partners, officers, employees and applicable consultants ("Access Persons") and is designed to comply with Rule 204A-1 of the Advisers Act. LLR's Code is based upon the premise that LLR and its Access Persons have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service and put the interests of its Funds first. The Code requires all Access Persons to (1) comply with all

applicable laws and regulations; (2) observe all fiduciary duties and put Fund interests ahead of those of LLR; (3) observe LLR's personal trading policies so as to avoid "front-running" and other conflicts of interests between LLR and its Funds; (4) report any perceived violations of the Code; and (5) ensure that they have read the Code, agreed to adhere to the Code and are aware that a record of all violations of the Code will be maintained by LLR.

The Code governs the securities trading and investing activities of all Access Persons for their own personal accounts. Access Persons must first pre-clear personal trades for covered securities, as defined under Code, in a personal account in which an Access Person has a beneficial ownership. They must also seek preapproval when participating in a private placement offering or transacting in initial public offerings ("IPOs"). During a Fund's investment period, Access Persons may not invest directly in an investment opportunity that falls within an LLR Fund's investment objectives, without first offering that investment opportunity to an LLR Fund. If the Fund declines to make such investment, then each such person may make such investment, so long as the cost of the investment for such person is no more than \$2 million. Additionally, a pre-clearance request will be denied if a securities issuer is under consideration by LLR, held by an LLR Fund, or LLR or its employees are in receipt of material non-public information related to a company or if another noted conflict exists.

Under the Code, Access Persons are also required to file certain periodic reports and certifications with LLR's Chief Compliance Officer. A copy of the Code is distributed to each Access Person at the time of hire and annually thereafter. Access Persons are also required to attend annual Code of Ethics training and certify that they are in compliance with the Code. Access Persons who violate the Code can be subject to sanctions by LLR's Compliance Committee, including possible employment termination. A copy of the Code is available upon request from LLR's Chief Compliance Officer, Michelle Vaughn at mvaughn@llrpartners.com.

Access Persons, including voting members of LLR's Investment Committee, will have business interests separate and apart from their interests in LLR and its Funds. Such outside business interests will include controlling, voting and non-voting interests in private equity funds, operating companies and private real estate investments. New outside business interests are subject to review by the Chief Compliance Officer to check for material conflicts of interest. Existing outside business interests are reviewed at least annually for changes in circumstances which may be expected to lead to material conflicts. If an employee becomes aware of a material conflict of interest between such employee or such employee's role with respect to a Fund and one of such employee's outside business interests, such employee is expected to inform LLR's Chief Compliance Officer and, where possible, propose methods to mitigate the conflict. Mitigation efforts will include, among other things, recusing oneself from participating in certain decisions, and, where required by a Fund's limited partnership agreement, disclosing such conflict to, or seeking a waiver of such conflict from, the applicable Fund's executive committee. Nevertheless, from time to time, various conflicts of interest will arise.

Managing Partners, certain employees and affiliated persons of LLR will invest in the Funds, either through a general partner affiliate or as direct investors in the Funds. LLR or an affiliated general partner, as applicable, will reduce all or a portion of the Management fee and/or Carried Interest related to investments held by such persons.

Item 11. Brokerage Practices

As the LLR Funds primarily invest in private transactions, LLR does not maintain or operate a traditional securities trading desk to engage in the execution of publicly traded securities for the Funds. However, to meet its fiduciary duties to the Funds, LLR has adopted policies and procedures to address issues that might arise with respect to purchasing, holding and selling publicly traded securities. In placing trades of publicly traded securities, LLR will seek “Best Execution” for each transaction. Best Execution means obtaining for the Fund 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-dealer. In determining whether a particular broker or dealer is likely to provide Best Execution in a particular transaction, LLR will take into account all factors that it deems relevant to the broker’s or dealer’s execution capabilities, including but not limited to price, the size of the transaction, the nature of the market, the amount of the commission, the timing of the transaction, the reputation, financial stability, execution capabilities, experience, and quality of service of the broker dealer.

LLR seeks to have its privately negotiated transactions, including publicly traded securities, executed in the best interest of the Funds, taking into account various factors such as the size, cost, competence, market activity and the availability of brokers/dealers.

If a Fund would transact in a publicly traded security and incur a trade error, such error is to be corrected by LLR as soon as practicable and in a manner, so that such Fund incurs no financial loss.

LLR does not participate in or accept soft dollar benefits or commission sharing arrangements and does not direct brokerage in exchange for referrals.

Item 12. Review of Accounts

Oversight and Monitoring - LLR’s Managing Partners and investment professionals are responsible for reviewing and monitoring each Fund’s portfolio companies on a continual basis. In addition to daily communication between the investment professionals, planned weekly and ad hoc meetings are held to review the status of each Fund. Fund monitoring also generally includes reviews of monthly financial reporting packages from the Funds’ portfolio companies, attendance at a portfolio company’s board of director meetings and participation in their annual strategic planning and budgeting sessions.

Investor Reporting - Fund investors generally receive the following reports: (i) annual audited financial statements of the Fund, (ii) quarterly reports containing a brief narrative of the status and operations of each Fund investment and (iii) such other information as is necessary for the preparation of tax returns. Furthermore, there is an annual meeting of investors to review the status of each Fund.

Item 13. Client Referrals and Other Compensation

LLR does not receive any compensation or economic benefit (i.e., sales awards or prizes) from any third-party person or entity for advisory services other than from the Funds.

LLR has entered into a placement arrangement pursuant to which LLR will compensate a third-party for certain investor referrals (each an “Included Investor”) for interest in an LLR Fund. A placement fee will be paid directly by LLR based on the capital commitment to the LLR Fund of each Included Investor, as agreed upon by the terms of the agreement with the placement agent. Such arrangements will be disclosed to Included Investors before such investors make an investment to inform them that the placement agent

will have an incentive to favor sales of interest in one kind of investment over the sales of interests in other types of investments. LLR may also enter into similar placement arrangements in the future.

Item 14. Custody

LLR is deemed to have custody of its Funds assets by virtue of its status as the general partner of the Funds. LLR complies with the Advisers Act custody rules in the following manner, each Fund: (i) is subject to audit by an independent accountant registered with the PCAOB, at least annually; (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all investors within 120 days of the end of its fiscal year; and (iii) upon liquidation will distribute its audited financial statements to all investors promptly after the completion of such audits. Such audits will include any funds and certificated securities that, as required by applicable law, are placed in custody with a qualified custodian.

Item 15. Investment Discretion

Under each Fund's Offering Documents, LLR has investment discretion to manage each of the Funds' assets.

Item 16. Voting Client Securities

LLR's investment strategy and portfolio composition generally does not include investments in publicly traded securities that attach voting rights, such as common stock. To the extent that any Fund holds voting securities, LLR has the sole authority to direct the voting of such securities. The voting securities held by the Funds generally entail large or controlling interests of privately held issuers. Unlike the limited voting rights attributable to publicly traded securities, the Funds generally have broad voting authority on a wide range of matters affecting these privately held issuers. LLR votes such interests, on behalf of the Funds, in the economic interests of the applicable Fund. When voting securities, LLR considers relevant facts, which may include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity and customary industry and business practices.

Item 17. Financial Information

LLR does not require or solicit prepayment of fees six months or more in advance. Additionally, the firm is not subject to any financial condition that would reasonably impair its ability to meet contractual commitments to its Funds.