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## **Part 2A of Form ADV – The Brochure**

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**March 31, 2021**

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](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Brochure, dated March 31, 2021, serves as an annual update to LGP's Brochure dated March 30, 2020. This annual update does not contain any material changes but includes routine annual updating changes, clarifying changes, enhanced disclosures in the Brochure, and updated regulatory assets under management.

We recommend that you read this Part 2A of Form ADV in its entirety.

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#### Item 4: Advisory Business

For purposes of this brochure, “**LGP**” or the “**Firm**” means Leonard Green & Partners, L.P., a Delaware limited partnership, together with certain of its affiliates that provide investment advisory services to the Funds (as defined below).

#### Background

Founded in 1989, LGP is a private equity firm based in Los Angeles, California. LGP typically invests in companies it believes are market leaders with attractive growth prospects across a broad range of industries, and focuses primarily on companies providing services, including consumer, business, and healthcare services, as well as retail, distribution, and industrials. While the Firm is primarily a control investor, LGP has also 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, and the other investment partners of LGP. As of the date of this Brochure, LGP has raised eight successive funds to pursue similar strategies, as well as a mid-market fund, which generally pursues the same strategy as LGP’s other funds, except that it focuses on smaller investment opportunities.

LGP and the general partner of LGP are principally owned indirectly by John G. Danhaki, Jonathan D. Sokoloff, John M. Baumer and Jonathan A. Seiffer.

#### 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 V, L.P., Green Equity Investors VI, L.P., Green Equity Investors VII, L.P., Green Equity Investors VIII, L.P., Green Equity Investors Side V, L.P., Green Equity Investors Side VI, L.P., Green Equity Investors Side VII, L.P., Green Equity Investors Side VIII, L.P., Jade Equity Investors, L.P. and Jade Equity Investors Side, 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. Each of these investment vehicles are private funds, not subject to the registration requirements under the Investment Company Act of 1940, as amended (the “**1940 Act**”), and whose securities are not subject to the registration requirements under the Securities Act of 1933, as amended (the “**Securities Act**”).

LGP also serves as the investment manager, and affiliates of LGP serve as the general partner, to (i) additional private investment partnerships that are “feeder” vehicles (each, a “**Feeder Vehicle**”) organized to invest exclusively in a Main Fund, and (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 various co-investment vehicles that LGP 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 “**Co-Investment Vehicle**”). Each investment by a Co-Investment Vehicle

is acquired and sold on substantially the same terms as the corresponding investment by the applicable Main Fund. Investors in Co-Investment Vehicles generally bear no performance-based fees or management fees. The Main Funds, Co-Investment 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 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 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.

In connection with the negotiation of fund and subscription terms and, as contemplated by the relevant partnership agreements, the Funds frequently issue “side letters” or similar agreements pursuant to which the Funds will grant certain investors specific rights, benefits or privileges. See Item 11 below for a further discussion of side letters.

As of December 31, 2020, LGP managed, on a discretionary basis, Funds with regulatory assets under management of approximately \$52,576,948,000.

## **Item 5: Fees and Compensation**

In general, LGP earns management fees, and the affiliated general partners have the potential to earn performance-based compensation, from each of the Funds (other than the Co-Investment Vehicles, which generally do not pay management fees or performance-based compensation). 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 to LGP. The aforementioned fees are discussed in more detail below. For purposes of this Brochure, employees of LGP includes the partners of LGP.

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**

In general, LGP is entitled to receive a management fee for each Fund (other than the Co-Investment Vehicles and certain other Funds as described below). Management fees are indirectly borne by the Limited Partners in such Funds, including any Feeder Vehicles that invest as Limited Partners in a Main Fund. 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. In general, Funds (other than the Co-Investment Vehicles and certain other Funds as described below) are charged a management fee of up to 1.50% per annum of aggregate commitments of unaffiliated Limited Partners during the commitment period. Following expiration of the commitment period for such Funds, management fees are generally payable at lower rates (typically ranging from 0.75% to 1.0%) and on the amount of invested capital. In some cases, management fees are subject to breakpoints (i.e., reductions in the applicable rate charged in respect of aggregate Fund capital commitments above a certain specified thresholds). Management fees are also 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 fees payable to LGP by such Fund in lieu of capital contributions by such partners.

Co-Investment Vehicles do not typically pay any management fees (or performance-based fees), although LGP reserves the right in its sole discretion to charge such fees to Co-Investment Vehicles that may be formed in the future. Such vehicles are required to bear their own organizational expenses and their share of other 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 have received, and expect to receive in the future, 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, retainer fees, 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, and may be paid in cash, in securities of the Portfolio Companies, or otherwise. A conflict of interest may exist in the determination of any Fee Income and other terms in the applicable agreement with the Portfolio Company, which may be more favorable to the Firm or its affiliates than terms that would otherwise be available on an arm's length market basis.

Fee Income is first used to pay unreimbursed transaction expenses (including unconsummated transaction expenses), after which a specified percentage 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. This management fee "offset" rate is 100% for the Firm's more recent Main Funds, but is less than 100% for its older Main Funds, and may be less than 100% for other funds. Any reduction of a Fund's management fees will be applied pro rata (based on the capital invested in the applicable investment by the Funds that charge management fees or by such Funds and the applicable Co-Investment Vehicles, as determined by LGP in accordance with the governing agreements), to the extent of such Fund's proportionate interest in the Portfolio Company or investment vehicle to which such Fee Income relates. Fee Income that is not used to offset unreimbursed transaction fees or management fees, as described above, is retained by LGP, subject to the following paragraph.

If the aggregate amount of excess Fee Income applied against management fees during a fiscal year exceeds the management fee payable for such fiscal year, the excess is 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 unapplied, the governing documents of a Fund (other than certain parallel funds) typically require the Firm to 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) accelerated payments of certain Fee Income (e.g., 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 partially sold or goes public and the Funds continue to maintain a meaningful equity position following such transaction or where a co-sponsor receives an accelerated monitoring fee. In any event, accelerated monitoring fees will not be charged in an amount exceeding the estimated net present value of three years of future monitoring fees.

In certain instances, LGP employees may receive (and have in the past received) 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 monitoring or provision of other services for such Portfolio Company, and for other expenses as described in the last sentence in "Other Fees and Expenses" below. Such expenses include, among other things, travel (with respect to air travel, at rates not exceeding first-class equivalent fares), accommodations, meals, entertainment, legal expenses, insurance expenses, 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 set forth above), accommodations, meals, entertainment, 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) up to amounts specified in each Fund's governing documents, except to the extent set forth in the governing agreements of a Fund. The governing documents of a Fund (other than a Co-investment Vehicle, Alternative Investment Vehicles or the Continuation Fund that is described below) generally 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.

In addition, in certain instances, a Fund may bear expenses in respect of an existing or prospective Portfolio Company that may not be borne by other owners or investors in such Portfolio Company (including co-investors or Co-Investment Vehicles), where LGP has determined such arrangement to be in the best interest of such Fund (e.g., a Fund engages or pays for a consultant for services in respect of a Portfolio Company without reimbursement by other owners of the Portfolio Company).

### ***Other Fees and Expenses***

In addition to the management fees and any performance-based fees payable to LGP and its affiliated entities, and the offering, organizational and other expenses described in this Item 5, 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 a Fund (and indirectly borne by the Limited Partners) include, but are not limited to third-party fees, costs and expenses relating to professional services, including legal, tax, auditing, consulting, investment banking, financial advisory, administration, appraisal, valuation, custodial, depositary, regulatory, accounting and similar expenses and professional fees; professional

liability insurance premiums (including such Fund's allocated portion of any cyber-security insurance, directors and officers insurance or similar insurance);<sup>1</sup> certain compliance-related expenses; expenses of annual Limited Partner meetings and meetings with one or more Limited Partners (in each case including lodging and meals); 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 un consummated investments, including expenses related to travel, entertainment, lodging, and meals, discovery, evaluation, execution, development, management and monitoring, expenses related to organizing persons through or in which portfolio investments may be made (unless charged to the partners for whose benefit the organizing person is formed), expenses related to guaranties, indebtedness and refinancings thereof, expenses related to private placement fees, syndication fees, bank charges, closing and execution costs, sales commissions, appraisal fees, taxes, underwriting commissions and discounts, brokerage fees and information services and similar expenses related to such investments or prospective investments, including un consummated investments (including amounts that would otherwise have been borne directly or indirectly by potential co-investors (other than with respect to executive investment vehicles) were such investments consummated); indemnification expenses; extraordinary expenses (such as litigation related expenses, awards and settlement amounts); interest on and fees and expenses for permitted borrowings, financings, guaranties or derivative transactions permitted in accordance with a Fund's governing documents; filing and registration fees and expenses incurred with respect to other governmental charges; expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund; expenses incurred in connection with any restructuring or amendments to the constituent documents of a Fund; expenses incurred for research or obtaining information for a Fund; expenses related to defaults by Limited Partners; expenses related to Fund-related reporting and any other reporting, notifications and filings; expenses associated with the preparation of a Fund's financial statements, tax returns and Schedule K-1s and the representation of a Fund or the partners by the tax matters partner or the partnership representative (as such terms are defined in the applicable Fund agreement); expenses (and damages) related to regulation, litigation, government inquiries, investigations or proceedings, including expenses related to the preparation and filing of Form PF, filings required under the Securities Exchange Act of 1934, as amended, reports with the Commodities Futures Trading Commission, compliance or filings related to the European Alternative Investment Fund Managers Directive, fees and expenses related to complying with the Foreign Account Tax Compliance Act (FATCA), and expenses related to compliance with and filings under other applicable laws, rules and regulations, including fees and expenses related to the engagement of locally licensed intermediaries or similar persons that a Fund or an affiliate is required to engage as a result of one or more limited partners being domiciled in, or otherwise related to, a particular jurisdiction; fees, costs and expenses incurred in connection with administering Side Letters (as defined below) entered into with limited partners; expenses of winding up and liquidating a Fund; any other fees, costs, expenses, liabilities or obligations approved by the limited partner advisory committee. The applicable 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.

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<sup>1</sup> 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.



### ***Unconsummated Deal Expenses***

The Main Funds will generally bear all fees, costs and expenses relating to unconsummated transactions, such as travel, entertainment, lodging, and meals, legal and due diligence expenses, including amounts attributable to potential co-investors identified for particular transactions (as opposed to Co-Investment Vehicles established for Executive Investors<sup>2</sup>, which entities will have unconsummated deal expenses allocated to them on a semi-annual basis), regardless of whether a determination had been made as to the identity of any potential co-investors or the amount of the anticipated co-investment prior to the time that it was determined that the prospective investment would not be consummated by a Fund. Co-Investment Vehicles (other than those established for Executive Investors) are typically not formed or capitalized until close to the time a transaction is consummated and typically do not share in expenses related to unconsummated transactions. To the extent the Firm determines in its sole discretion 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 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.

From time to time, LGP has and anticipates that it will in the future (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. Such adjustments will be made on an interest-free basis.

### ***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 credit facilities exclusively available to 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.

### ***Borrowings***

In general, the Funds are permitted to borrow for investment and other purposes. Such borrowings may be made prior to capital being called from a Fund's investors or in lieu of calling capital, and such borrowings may remain outstanding for significant periods of time. This mechanism may defer investor capital calls and provides a form of leverage that can have the effect of increasing a Fund's net internal rate of return (IRR), particularly in the early years of a Fund's investment cycle. Such borrowings can also accelerate the date upon which a Fund's preferred return will be achieved for purposes of determining when the applicable general partner is entitled to begin receiving performance-based compensation from

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<sup>2</sup> Executive Investors generally include certain current and former executives of public and private companies, key executives and advisors to current and former Portfolio Companies. Please see Item 11 below for additional information regarding Executive Investors.

a Fund. Interest payments and other fees and expenses incurred in respect of such borrowings are partnership expenses paid for by the Fund, and such expenses will decrease a Fund's net returns over time, which may also decrease the amount of carried interest to be distributed to the applicable general partner. Each Fund's outstanding borrowings, if any, are disclosed to the investors in the quarterly and annual financial statements of each Fund.

### **Continuation Fund**

LGP is currently in the process of closing an investment vehicle that will purchase certain Portfolio Investments from an existing Main Fund (such new fund, the "**Continuation Fund**"), and will allow limited partners in such existing Fund to invest in such Continuation Fund through a rollover of its interest. The Continuation Fund is not expected to pay a management fee to LGP with respect to its limited partners, although LGP reserves the right in its sole discretion to charge management fees to any other continuation funds that may be formed in the future. The management fee "offset" rate for the Continuation Fund is expected to be less than 100%, since the Main Fund with respect to which the Continuation Fund is being formed contained a management fee "offset" rate of less than 100%, and any application of such offset with respect to the Continuation Fund will be applied in such manner as set forth in the relevant governing documents of such Continuation 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 performance-based compensation in the form of a "carried interest" allocation from the Main Fund after certain performance hurdles have been met, as further described in the Main Fund's applicable governing documents. Such carried interest represents a portion of the Funds' net investment profits. Such performance-based compensation is indirectly 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, Co-Investment 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. See Items 11 and 12 below for a discussion of certain potential conflicts of interest that arise from LGP's receipt of performance-based fees.

The existence of the carried interest or performance allocation may create an incentive for LGP to make riskier or more speculative investments on behalf of the Funds than would be the case in the absence of these arrangements, although the Firm's commitment of capital to the Funds should reduce this incentive. As described in more detail below, LGP has adopted allocation policies designed to treat all Funds fairly and equitably in accordance with the applicable governing documents.

### **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 (i) "accredited investors" within the meaning of the rules and regulations promulgated under the Securities Act and (ii) "qualified purchasers" or "knowledgeable employees" within the meaning of the rules and regulations promulgated under the 1940 Act, and may include, among others, high net worth individuals and institutional investors such as banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, insurance companies, sovereign wealth funds and funds-of-funds.

LGP may impose a minimum investment commitment requirement for each Fund. 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 businesses 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 companies that it believes have market-leading franchises, defensible competitive positions, successful track records, attractive growth prospects, and best-in-class management teams. Additionally, LGP's middle market funds may target companies that have multiple avenues for growth with the potential to become market leaders but that need some assistance to achieve that standing. Investments are expected to be made across a broad range of industries with a preference for companies providing services, including consumer, business, and healthcare services, as well as retail, distribution, and industrials. While LGP is primarily a control investor, LGP also invests in shared-control and non-control transactions.

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 and analysis in respect of a range 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 legal, tax, insurance, accounting and ESG advisors and third party consultants, in each case as determined by LGP to be appropriate.

## **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. 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:

**No Assurance of Investment Return.** All investments risk the loss of capital. No guarantee or representation can be made that the Fund will achieve its investment objective or avoid significant losses. On any given portfolio investment made by a Fund (each, a "**Portfolio Investment**"), including the Portfolio Companies, total loss of principal is possible. A Fund will generally invest in companies with highly leveraged capital structures. Leveraged buyouts by their nature require companies to undertake a high ratio of fixed charges to available income. Such Portfolio Investments are inherently more sensitive to any decline in revenues and to any increases in expenses or interest rates. Since a Fund is expected to participate in Portfolio Investments that involve a high degree of risk, the aggregate return of the Fund may be affected by the negative performance of a single Portfolio Investment. An investment in a Fund should only be considered by persons who can afford a loss of the entire amount invested.

***Difficulty of Locating Suitable Investments.*** Identification of attractive investment opportunities is a difficult, highly competitive activity that involves a high degree of uncertainty and will be subject to market conditions. Furthermore, a Fund will be competing for Portfolio Investments with other investment funds, as well as strategic buyers, industrial groups, financial institutions and other investors, some of which may have greater resources, higher risk tolerances, lower cost of capital or an ability to achieve operational synergies that are not available to the Fund. In past years, a number of private equity funds have been formed with objectives similar to the Funds, and funds raised by competing sponsors have grown in size. These trends have contributed to increased competition for appropriate investment opportunities, which may reduce the number of investment opportunities available to a Fund, force a Fund to participate in auction processes in order to access investment opportunities and adversely affect the terms, including price, on which a Fund is able to acquire Portfolio Investments. Participating in auctions will increase the pressure on a Fund with respect to pricing of a transaction, and the increasingly more competitive environment may make it more difficult for the Fund to obtain certain other terms in a transaction. In the event a financing-related closing condition is not available to a Fund or if a Fund is required to provide a reverse break-up fee or guarantee in connection with a potential investment, the Fund may become obligated to consummate a transaction on less favorable terms or may be required to fund the reverse break-up or similar fee in connection with a potential investment that is not made.

***Financial Leverage.*** A Fund's Portfolio Investments are expected to primarily consist of equity of Portfolio Companies, the capital structure of which may have significant leverage. While investments in leveraged companies offer the opportunity for increased capital appreciation in favorable circumstances, such investments also involve an increased degree of risk in downside scenarios. Although the General Partner will seek to use leverage in a manner it believes is appropriate under the circumstances, the leveraged capital structure of a Portfolio Company will increase the exposure of such Portfolio Company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of such Portfolio Company or its industry, and may also impair such Portfolio Company's ability to finance its future operations and capital needs. The use of leverage may also subject companies to restrictive financial and operating covenants. As a result, a Portfolio Company's flexibility to respond to changing business and economic conditions may be limited. If, for any of these reasons, a Portfolio Company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness, or to refinancing existing indebtedness at its maturity date, the Portfolio Company could become insolvent, declare bankruptcy or liquidate, and the Fund may suffer a partial or total loss of capital invested in the Portfolio Company.

***Non-Controlling Investments; Investments with Third Parties.*** A Fund may hold a non-controlling position, minority interest in certain Portfolio Companies and, therefore, may have a limited ability to protect its position in such Portfolio Companies, although as a condition of investment in a Portfolio Company, LGP expects that appropriate shareholder rights generally will be sought to protect the Fund's interests. In such cases, a Fund will typically be significantly reliant on the existing management, board of directors (or equivalent) and other shareholders of such companies, who may not be affiliated with the Fund and whose interests may conflict with the interests of the Fund. In addition, a Fund may invest alongside third parties, including through partnerships, joint ventures or other similar arrangements, and such third parties may have larger ownership interests than the Fund or may otherwise share control with the Fund in the relevant Portfolio Companies. Such Portfolio Investments may involve additional risks in connection with such third-party involvement, including the possibility that a third party may have financial difficulties resulting in a negative impact on the Portfolio Investment, may have economic or business interests or goals that are inconsistent with those of the Fund or may be in a position to take (or block) action in a manner contrary to the Fund's investment objectives. In each such case, a Fund may not be in a position – either practically or contractually – to take action to protect the value of the Fund's

Portfolio Investment in the entity. If any such third party were to default on its obligations with respect to the relevant Portfolio Company, the value of the Fund's interest in such Portfolio Company could be materially adversely affected. Although in many cases LGP expects a Fund to have control over, or significant influence on, the decision-making of joint ventures and other similar arrangements, certain decisions will require approval of all investors, including third parties. The cooperation among the investors on existing and future business decisions will be an important factor for the sound operation and financial success of these businesses. Disputes among joint owners do arise, and could have an adverse effect on the financial conditions or results of operations of these businesses and in some instances, give rise to indemnification or other expense for a Fund. In addition, a Fund may in certain circumstances be liable for the actions of third-party investors. In circumstances where third-party investors are involved in the management of a Portfolio Company, such third parties may receive compensation arrangements relating to such company, including incentive compensation arrangements. There can be no assurance that minority rights will be available or that such rights will provide sufficient protection of a Fund's interests.

***Limited Number of Portfolio Investments; Sector Concentration.*** A Fund is expected to participate in a limited number of Portfolio Investments. In addition, Limited Partners may be excluded or excused from Portfolio Investments in certain situations. As a consequence, the number of Portfolio Investments in which the Limited Partners participate will accordingly be limited, and the aggregate return to the Limited Partners may be substantially adversely affected by the unfavorable performance of even a single Portfolio Investment. If certain of a Fund's Portfolio Investments perform unfavorably, one or more of its other Portfolio Investments must perform very well in order for the Fund to achieve above-average returns. There can be no assurance that this will be the case. Also, a Fund's Portfolio Investments may be concentrated in a particular sector, issuer, industry or geographic region, with the result that the overall value of the Fund's Portfolio Investments will become more susceptible to adverse economic or business conditions affecting any such sector, issuer, industry or region. Furthermore, if a Fund invests alongside other private equity funds in which a Limited Partner is also invested, a Limited Partner may have exposure to investments through more than one fund.

***Illiquid and Long-Term Investments; Risks of Realization of Investments.*** Although Portfolio Investments by a Fund may generate some current income, the return of capital and the realization of gains, if any, from a Portfolio Investment generally will occur only upon the partial or complete disposition of such investment. While a Portfolio Investment may be sold at any time, it is not generally expected that this will occur for a number of years after the Portfolio Investment is made. Generally, a Fund expects that certain of its Portfolio Investments will not be, and are not expected to become, publicly traded. Portfolio Investments may consist of the most junior securities of a company with a complex capital structure, which are subject to the greatest risk of loss. Moreover, a Fund may engage in capital market transactions such as hedging or the purchase of derivative securities designed to reduce risk in respect of publicly traded Portfolio Companies, but such transactions also entail inherent risk. A Fund will generally not be able to sell securities publicly unless the sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available.

***Risks Relating to Due Diligence of and Conduct at Portfolio Companies.*** Before making Portfolio Investments, LGP will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each Portfolio Investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties will be involved in the due diligence process to varying degrees depending on the facts and circumstances of the particular Portfolio Investment. Such involvement of third-party advisors or consultants may present a number of

risks primarily relating to LGP's reduced control of the functions that are outsourced. In addition, if LGP 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 a Portfolio Investment, the LGP will rely on the resources available, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that LGP 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, no such investigation will guarantee that a Portfolio Investment will be successful or ensure a return of invested capital.

**Financial and Business Risk.** Portfolio Investments made by a Fund will generally involve a significant degree of financial and business risk. Portfolio Companies may face competition, changing business or economic conditions or other developments that may adversely affect their performance. A Fund's investment portfolio will include securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Portfolio Companies may be highly leveraged and therefore may be more sensitive to declines in revenues, increases in expenses and adverse business, political or financial developments or economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such companies or their industries. Certain of a Fund's Portfolio Investments may be in businesses with little or no operating history. Business risks may be more significant in smaller Portfolio Companies or those that are embarking on a build-up or operating turnaround strategy. If, for any of these reasons, a Portfolio Company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of a Fund's investment in such Portfolio Company could be significantly reduced or even eliminated.

**Reliance on Portfolio Company Management.** LGP will monitor the performance of companies in which a Fund makes Portfolio Investments, generally through participation on, or interaction with, the board of directors (or equivalent body) of the company and by maintaining an ongoing dialogue with the company's management team. However, each Portfolio Company's management team will be primarily responsible for the operations of the company on a day-to-day basis. Although it is the intent of a Fund to invest in Portfolio Companies with strong operating management, there can be no assurance that the existing management team, or any new one, will be able to operate a Portfolio Company successfully. Additionally, Portfolio Companies may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. There can be no assurance that Portfolio Companies will be able to attract, develop, integrate and retain suitable members of their respective management teams, and the Fund may be adversely affected as a result.

**Follow-On Investments.** A Fund may make follow-on investments in or related to existing Portfolio Companies ("**Follow-On Investments**") or have the opportunity to increase its investment in such Portfolio Companies (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There can be no assurance that a Fund will wish to make Follow-On Investments or that a Fund will have sufficient available capital or capacity under any credit agreements to, or be permitted to, make such investments. Any decision not to make Follow-On Investments, or a Fund's inability to make them, may have a substantial negative effect on a Portfolio Company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made), may result in missed opportunities for the Fund, may result in dilution of the Fund's Portfolio Investment and may diminish the Fund's ability to influence such Portfolio Company's future development.

***Risk of Investments in Less Established Companies.*** A Fund may invest a portion of its assets in the securities of less established companies. Investments in such less established companies may involve greater risks than generally are associated with investments in more established companies. To the extent there is any public market for any such securities held by a Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and may face intense competition, including from companies with greater financial resources, more extensive development, marketing and service capabilities, and a larger number of qualified managerial and technical personnel. Such companies are therefore often more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and, if operating, may have negative cash flow. Any such Portfolio Investment should be considered highly speculative and may result in the loss of a Fund's entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on a Fund's other Portfolio Investments.

***Risks Related to Non-U.S. Investments.*** A Fund may invest a portion of its aggregate capital commitments in Portfolio Companies based outside of the United States and in Portfolio Companies based in the United States that have material operations, subsidiaries, sales or other economic exposure outside of the United States. Investments in such companies involve certain factors not typically associated with investing in wholly domestic companies, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Fund's non-U.S. Portfolio Investments are denominated (which could result in changes to the values, in U.S. dollar terms, of the Fund's Portfolio Investments), and costs associated with conversion of investment principal and income from one currency into another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which the Fund invests; (iii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iv) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (v) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less government supervision and regulation; (vi) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of war, terrorism and political, economic, or social instability, including the risk of sovereign defaults, civil unrest, regulatory change, expropriation, protectionist economic policies, confiscatory taxation and the imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds; (vii) the possible imposition of non-U.S. taxes on income, gains and gross sales or other proceeds recognized with respect to such securities or instruments, including as a result of the loss of tax treaty benefits that were expected at the time of investment; (viii) differing and potentially less developed or less tested corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (ix) differences in the legal and regulatory environment, including potentially enhanced legal and regulatory compliance burdens; (x) political or public hostility to investments by foreign or private equity investors; and (xi) less publicly available information.

***General Economic Conditions.*** The success of a Fund's activities will be affected by general economic and market conditions, such as overall rates of growth and demand for Portfolio Company products and services, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's Portfolio Investments), trade barriers, currency exchange controls, and national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts or security operations). The financial condition of the Firm may be adversely affected by a significant general economic downturn and it may be subject to legal,

regulatory, reputational and other unforeseen risks that could have a material adverse effect on the Firm's business and operations and thereby could impact the Fund. Moreover, a sustained downturn in the U.S. or global economy (or any particular segment thereof) or weakening of credit markets could adversely affect the Fund's profitability, impede the ability of the Fund's Portfolio Companies to perform under or refinance their existing obligations, and impair the Fund's ability to effectively exit Portfolio Investments on favorable terms. Any of the foregoing events could result in substantial or total losses to a Fund in respect of certain Portfolio Investments, which losses will likely be exacerbated by the presence of leverage in a particular Portfolio Company's capital structure. To the extent that any Portfolio Companies are dependent on corporate debt markets, any market turmoil, coupled with the threat of an economic slow-down, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally, which in turn may adversely affect or restrict the ability of such Portfolio Companies to raise or refinance debt capital or the ability of the Fund to sell or liquidate Portfolio Investments at favorable times or at favorable prices or which otherwise may have an adverse impact on the business and operations of the Fund, restrict the Fund's investment activities and impede the Fund's ability to effectively achieve its investment objective.

**Brexit.** The United Kingdom left the European Union on January 31, 2020 (commonly referred to as "Brexit"). In connection with Brexit, the United Kingdom and the European Union agreed to the EU-UK Trade and Cooperation Agreement, which took effect on January 1, 2021 and governs the future trading relationship between the United Kingdom and the European Union in specified areas. The uncertainty surrounding the implementation of the EU-UK Trade and Cooperation Agreement and the outcome of ongoing negotiations may have economic, tax, fiscal, legal, regulatory and other implications for the asset management industry, the broader European and global financial markets generally and a Fund and its investments. This uncertainty is likely to continue to affect the global economic climate and may affect opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the United Kingdom or the European Union, including companies or assets held or considered for prospective investment by the Funds. There can be no assurance that any negotiated laws, taxation and/or regulations will not have an adverse impact on a Fund and its investments. The ongoing effects of Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, an adverse effect on the ability to manage, operate and invest a Fund and increased legal, regulatory or compliance burdens for LGP or a Fund, each of which may have a negative impact on operations, financial condition, returns or prospects.

**Disease and Epidemics.** The impact of disease and epidemics may have a negative impact on our business, the Funds and their performance and financial position. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses, and could also result in a general economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains. Moreover, our operations and those of the Funds or Portfolio Companies could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on LGP's business, the Funds and the Portfolio Investments. The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. In December 2019, a novel strain of coronavirus surfaced and subsequently spread around the world, with resulting business and social disruption. The coronavirus was declared a Public



Health Emergency of International Concern by the World Health Organization on January 30, 2020. The duration and intensity of business disruption and related financial and social impact, are uncertain, and such adverse effects may be material. The Firm's operations and business results, including with respect to any particular Fund or other client or any Portfolio Investment, could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) impacts business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

***Financial Market Fluctuations.*** General fluctuations in the market prices of securities and interest rates may adversely affect the value of the Portfolio Investments held by a Fund. Volatility and instability in the securities markets may also increase the risks inherent in a Fund's Portfolio Investments. The ability of Portfolio Companies to refinance debt securities may depend on their ability to obtain financing, including by selling new securities in the high-yield debt or bank financing markets. Any downturn in global credit markets may make it difficult for a Fund to obtain favorable financing terms for its Portfolio Investments. Any deterioration of the global debt markets (particularly the U.S. debt markets), any possible future failures of certain financial services companies and a significant rise in market perception of counterparty default risk, interest rates or taxes will likely significantly reduce investor demand and liquidity for investment grade, high-yield and senior bank debt, which in turn is likely to lead some investment banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer committed financing for investments on less favorable terms than had been prevailing in the recent past. A Fund's ability to generate attractive investment returns for its Limited Partners may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its Portfolio Investments. Any market turmoil, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally and may lead to an overall weakening of the U.S. and global economies, which in turn may adversely affect or restrict the ability of the Fund to sell or liquidate Portfolio Investments at favorable times or at favorable prices or otherwise have an adverse impact on the business and operations of the Fund.

***Trade Policy.*** Trade conflicts between the United States and certain foreign countries have recently intensified. The U.S. government has altered its approach to international trade policy, indicating its intent to renegotiate, or potentially terminate, certain existing bilateral or multilateral trade agreements and treaties with foreign countries and imposing, or threatening to impose, tariffs on certain foreign goods. Some foreign governments, including the Chinese government, have instituted, or threatened to institute, retaliatory tariffs on certain U.S. goods. The continuation or further intensification of such conflicts may lead to the introduction of additional barriers to trade, an increase in the cost of certain goods, a decrease in trade volume, supply chain disruptions, shifts in consumer sentiment and/or a general decrease in corporate profits and securities prices in both public and private markets, any of which could have an adverse impact on the performance of a Fund's investments and returns to Limited Partners.

***Investment in Distressed Portfolio Companies.*** A Fund may make Portfolio Investments in instruments or restructurings that involve companies that are experiencing or may experience severe financial difficulties. These financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy or other insolvency proceedings. Such Portfolio Investments could, in certain circumstances, subject a Fund to certain additional potential liabilities, which may exceed the value of the Fund's original investments therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damage suffered by parties as a result of such

actions. In addition, under circumstances involving a company's insolvency, payments to a Fund and distributions by a Fund to the Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, Portfolio Investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise potential claims.

***Risk of Publicly Traded Securities.*** A Fund may have the ability to invest in publicly traded securities, and the Fund's investment portfolio may also include securities issued by formerly privately held Portfolio Companies that have consummated initial public offerings. Such holdings are subject to the risks present in investing in publicly traded securities, including the risk of loss from counterparty defaults and the risks arising from the volatility of the global fixed income and equity markets. In addition, public companies may be subject to public reporting requirements that could have a significant impact on the valuation of their shares on any given trading day.

***Cyber-Security Breaches and Identity Theft.*** The Firm and its Portfolio Companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Firm has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm, a Fund or a Portfolio Company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Firm, a Fund or a Portfolio Company and could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors in the Fund (and the beneficial owners of such investors). Such a failure could harm the reputation of the Firm, a Fund or a Portfolio Company and could subject such entities and their respective affiliates to legal claims or otherwise affect their business and financial performance. Similar types of operational and technology risks are also present for the service providers to the Firm, the Funds and the Portfolio Companies, which could have material adverse consequences for the Firm, a Fund or a Portfolio Company and may cause the Portfolio Investments to lose value.

***Capital Calls and Use of Revolving Credit Facilities.*** A Fund may make investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which can be, for example, the undrawn capital commitments of investors, i.e., subscription lines) prior to calling capital commitments. The interest expense and other costs of any such borrowings will be borne by the applicable Fund and, accordingly, may decrease net returns of such Fund. A Fund's use of borrowed funds will impact the calculation of net performance metrics (e.g., IRR and multiple of invested capital) as these calculations generally depend on the amount and timing of capital contributions and will generally make net IRR and net multiple of invested capital calculations higher than they would be without fund-level borrowing. Accordingly, the Firm has an incentive to fund the acquisition and ongoing capital needs of Portfolio Investments and a Fund with the proceeds of such borrowings in lieu of drawing down investor commitments on a long-term basis, although such incentive is mitigated, in part, by the reduction in carried interest that would result from such actions.

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**

Neither LGP, its partners nor any of its employees is registered, or has an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer.

Neither LGP, its partners nor any of its employees is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or is an associated person of any of the above.

LGP organizes and sponsors the Funds. Affiliates of LGP serve as general partners (or in an analogous capacity) of, and control, the Funds. All such affiliated entities are registered investment advisers in accordance with SEC guidance under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), pursuant to the registration of Leonard Green & Partners, L.P. as an investment adviser with the SEC. These affiliated entities operate as a single advisory business collectively with LGP and share common owners, officers, members and employees. All of these affiliated entities are under common control and subject to LGP's code of ethics and Advisers Act compliance program pursuant to the requirements of the Advisers Act. 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 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 Funds, 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 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**”) that establishes standards of ethical conduct for its employees and sets forth policies and procedures for addressing potential conflicts of interest that may arise between LGP’s personnel and the Funds. The Policy described employees’ standard of conduct and fiduciary duties and governs personal trading by its employees and their household family members. The Policy is based on the principle that LGP owes a fiduciary duty to its clients and that all of LGP’s personnel must therefore avoid any activities, interests or relationships that might present an actual or potential conflict of interest with LGP’s clients or otherwise interfere with LGP’s ability to make decisions in the best interests of its clients. Among other things, the Policy addresses personal trading activities, receipt of gifts and business entertainment, outside business activities and political contributions.

In the ordinary course of its business, LGP will from time to time come into possession of material non-public information relating to public and private companies. The Policy requires LGP to maintain a “Restricted List” of companies in whose securities LGP’s personnel are prohibited from trading because LGP may be in possession of material non-public information concerning the company. LGP’s employees are required to report all of their personal holdings in securities and personal securities transactions to LGP’s CCO on a quarterly basis. In addition, LGP personnel are required to pre-clear any personal securities transaction they may wish to make in (i) any securities issued in an initial public offering or private placement, (ii) any securities issued by a company on the Restricted List, and (iii) any securities of issuers whose market capitalization is less than \$7 billion.

LGP’s personnel are also prohibited from giving or receiving gifts or business entertainment that might call into question the exercise of such person’s ability to exercise independent judgement on behalf of LGP’s clients. Under the Policy, gifts and business entertainment that exceed certain thresholds must be pre-cleared with LGP’s CCO. LGP’s personnel are also required to pre-clear any outside business activities they may wish to engage in and any political contributions they may wish to make.

LGP’s employees must certify annually that they have read and agree to comply in all respects with the Policy and that they have disclosed or reported all personal securities transactions, holdings and accounts required to be disclosed or reported by the Policy.

The paragraphs above only represent a summary of key provisions in the Policy. LGP will provide a copy of the Policy to any prospective client, any client or any investor the Funds upon request. 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**

A Fund may encounter certain potential material conflicts of interest, including those discussed below. The following 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. The applicable Fund’s governing documents and related private placement memoranda should be read in their entirety for a description of other potential 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 the 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 as set forth in the governing agreements of the applicable Fund and to the extent required by applicable law) to the other Limited Partners in the Fund. A Fund’s Advisory Committee generally does not have any power to approve or disapprove investments, although it is empowered to review and approve transactions to the extent such transactions entail a conflict of interest or an exception to certain strategy specific, percentage-based or similar limitations set forth in a Fund’s governing agreement. Pursuant to the applicable Fund’s governing documents, any such approval by the Advisory Committee will be binding upon all Limited Partners.

### Related Person Investment

LGP and/or one or more of its affiliated entities 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 way of a reduction in the management fees otherwise payable to LGP. In addition, LGP typically organizes Co-Investment Vehicles in which Executive Investors invest alongside the Main Fund on an investment-by-investment basis, and LGP has in the past organized (and reserves the right to, organize in the future) parallel investment vehicles in which junior investment professionals invest alongside the Main Fund on an investment-by-investment basis. Investors in such co-investment vehicles generally do not pay any management fees or performance-based fee but such co-investments will be acquired and sold on substantially the same terms as the corresponding investment by the relevant Main Fund. Therefore, LGP, its employees, and past and present portfolio company related persons can and frequently do participate in transactions effected for the Funds.

In addition, a wholly-owned subsidiary of LGP manages an internal investment vehicle whose primary purpose is investing in publicly-traded securities on behalf of certain of LGP’s partners and employees. The portfolio manager of the internal investment vehicle is a partner of LGP. LGP receives no management fee, carried interest or other compensation in connection with this vehicle. Potential conflicts of interest may exist between the Funds and this investment vehicle, but LGP believes that these conflicts are largely mitigated by the fact that there is very little (if any) overlap between the investment activities of the Funds and the investment activities of this investment vehicle. In addition, to further mitigate any risks, LGP maintains a policy to the effect that, in the event a conflict of interest does arise between any Fund and this investment vehicle, such conflict will be resolved in favor of the affected Fund(s).

### Side Letters

LGP, the Funds or the general partners of the Funds may, pursuant to the Funds’ governing agreements, enter into separate agreements or arrangements, commonly referred to as **“Side Letters,”** 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, co-investment opportunities, and (v) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor. Other Limited Partners are generally not notified of any Side Letters until after the Final Closing and may not have the ability to receive similar rights, depending on the terms of their Side Letter, the governing agreements or the applicable Fund and the amount of their relative capital commitments.

#### Conflicts Related to Purchases and Sales Between Funds

Investments made by one Fund in a Portfolio Company in which another Fund then holds an investment may present conflicts of interest, including determinations of whether existing investors are receiving a price that is higher or lower than market value or purchasing securities with terms that are more or less favorable than the prevailing market terms. To mitigate these potential conflicts, the applicable general partners will typically seek approval for such a transaction from each affected Fund's Advisory Committee, and may also obtain a fairness opinion from an investment banking or appraisal firm.

LGP generally does not execute cross transactions between Funds (a "**cross-fund transaction**"). However, from time to time LGP has entered, and may in the future enter, into a cross-fund transaction. Cross-fund transactions may occur, for example, in connection with the launch of the Continuation Fund or other continuation funds that may be formed in the future. In the event that LGP does execute a cross-fund transaction between Funds, LGP shall seek to ensure that such transaction and any related disclosures are made consistent with the applicable governing documents and applicable laws (including obtaining any requisite approvals thereunder) and LGP's policies and procedures.

LGP does not as a general practice recommend that the Funds invest in other Funds or companies in which LGP or its affiliates have a material ownership interest.

From time to time, for strategic and other reasons, a Co-Investment Vehicle may in the future purchase a portion of an investment from a Fund after such Fund has consummated its investment in the Portfolio Company. Any such purchase from a Fund by a Co-Investment Vehicle generally would occur shortly after the Fund's completion of the investment (also known as a post-closing sell down or transfer) to avoid any changes in the valuation of the investment. The participants in the Co-Investment Vehicle (other than the Funds) may be charged interest on the purchase to compensate the applicable Funds for the applicable holding period.

#### Co-Investment Opportunity Allocations

LGP may at any time, in its sole discretion, based upon the facts and circumstances of a particular investment opportunity, offer certain co-investment 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 Co-Investors*

Where possible and appropriate, LGP may, but is under no obligation to, provide co-investment opportunities to Limited Partners of the Funds, and such opportunities are typically offered only to a certain subset of such Limited Partners. Such co-investment opportunities will generally first be offered to Limited Partners: (i) whose capital commitments to the applicable Fund equal or exceed the amount

set forth in LGP's Co-Investment Allocation Policy; (ii) who have previously informed LGP of their interest in co-investment 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), if deemed relevant by LGP with respect to such opportunity; 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, in particular those Limited Partners with less sizeable capital commitments who have expressed an interest in co-investment opportunities, taking into account all factors deemed relevant by LGP. The terms of any co-investment 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 co-investment to certain current and former executives of public and private companies, key executives and advisors to current and former Portfolio Companies, 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 Co-Investment 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 co-investments will be acquired and sold 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 co-investment 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.

LGP and its employees also receive certain benefits, such as discounts on products or services from companies in which a Fund holds a significant ownership interest. LGP and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds that will not be subject to the management fee offset or otherwise shared with the Funds and/or Portfolio Companies. For example, airline travel or hotel stays incurred as an account expense, or use of a corporate credit or debit card, typically result in cash rebates, “miles,” “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to LGP and/or such personnel (and the Funds and/or Portfolio Companies) even though the cost of the underlying service is borne by the Funds and/or Portfolio Companies.

#### 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. In addition, LGP may have an incentive in allocating investment opportunities to favor Funds with a potential for higher performance-based compensation over Funds with lower or performance-based compensation. See Item 12 for a discussion of the policies and procedures LGP has adopted that are designed to ensure that all of its Funds are treated in a fair and equitable manner with respect to the allocation of investment opportunities.

#### Investor Due Diligence Information

Due in part to the fact that potential investors in a Fund (including potential investors in a Co-Investment Vehicle or purchaser of a Limited Partner’s interest in a secondary transaction) focus on different issues 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 assess management fees or performance-based fees based directly upon LGP’s valuation determinations, a conflict may arise as performance information is reported in various contexts, and in some instances will determine whether



write-downs must be taken before assessing a performance-based fee. LGP is generally required to report the value of the Funds' assets 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.

### Other Private Equity Vehicles

LGP's principals, employees or senior advisors invest in other private equity investment vehicles (including single investor co-investments) managed by other advisers. In some cases, LGP, its affiliates or the Funds may purchase portfolio companies that are owned by such other investment vehicles, which may indirectly benefit any principals, employees or senior advisors.

## **Item 12: Brokerage Practices**

LGP's investment strategies generally involve privately negotiated transactions in which best execution obligations do not arise in the same context as transactions in publicly traded securities. With respect to such private transactions, LGP believes it fulfills its best execution responsibilities through careful evaluation and negotiation of the terms of each such transaction.

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: (i) which securities or other instruments to buy or sell; (ii) the total amount of securities or other instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) 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. 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 efforts. 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).

### ***Allocations Among Clients; Aggregation***

Historically, only one Main Fund (together with its related parallel Fund, a "**Fund Group**") has typically been actively investing capital at any time and, accordingly, LGP has generally not needed to allocate investments among multiple Fund Groups. However, with the formation of LGP's middle market fund, as discussed above, LGP now has more than one Fund Group that will be actively investing at the same time. The governing documents of such Fund Groups set forth the method for determining which Fund Group has priority with respect to an investment opportunity. In addition, the governing documents of the Funds contain provisions that address the allocation of investment opportunities (including follow-on investment opportunities) between the various active and inactive Funds.

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 13: 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 generally provides each Limited Partner with audited financials of the Fund in which they invest (typically within 120 days after each fiscal year end for the Funds), unaudited quarterly financial statements (typically within 60 days of each quarter end for the Main Funds and longer for Co-Investment Vehicles), annual tax information for the completion of income tax returns, and regular reporting updates through investor letters, quarterly conference calls, meetings and conferences. In addition to the information provided to all Limited Partners, LGP may arrange to provide certain Limited Partners with additional information or more frequent reports that other Limited Partners will not receive.

### **Item 14: Client Referrals and Other Compensation**

During a fundraising cycle for a Fund, LGP has previously (but not in the past 10 years) 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, but are occasionally more generous than management or employee discounts (and are occasionally provided free of charge). In addition, certain Portfolio Companies provide free goods or services to LGP in order for LGP to make these items available to LGP personnel or to the Limited Partners at events, such as at the annual investor meeting for the Funds. LGP may also 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 15: Custody**

Due to LGP's affiliates serving as general partners of the Funds, LGP is deemed under Rule 206(4)-2 of the Advisers Act to have custody of the Funds' cash and securities. 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 13 above, each Fund is audited annually, and audited financial statements are provided to each Main Fund Limited Partner within 120 days of the Fund's fiscal year ends.

### **Item 16: Investment Discretion**

LGP has full discretionary authority over each of the Funds, as described in each governing documents and confidential offering materials. Investment advice is provided directly to each 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.

### **Item 17: Voting Client Securities**

The Funds are primarily invested in private companies that typically do not seek 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. In addition, in situations involving minority or co-sponsor relationships, Funds are frequently party to a shareholders agreement governing voting on particular matters such as the election of designated directors for the respective investor groups. Further, in situations where LGP decides to abstain from voting, the rationale will be documented internally by LGP.

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. In addition, LGP may have the opportunity, but generally does not direct the Funds' participation in class actions.

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

### **Item 18: 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.