

**FORM ADV PART 2A: BROCHURE**



**LNC Management, LLC  
(doing business as LNC Partners)  
11720 Plaza America Drive, Suite 650  
Reston, VA 20190  
(703) 651-2150**

**March 25, 2023**

**This brochure (the “Brochure”) provides information about the qualifications and business practices of LNC Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (703) 651-2150. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

**Additional information about LNC Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search the SEC’s site using a unique identifying number, known as a CRD number. The CRD number for LNC Management, LLC is # 319581.**

## **ITEM 2: MATERIAL CHANGES**

Since our first filing of this Part 2A Brochure on October 19, 2022, LNC Management, LLC reports the following material changes to our business:

- ◆ LNC Management, LLC is now registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”).
- ◆ LNC Management, LLC has closed on its first continuation fund.

Going forward, LNC Management, LLC will provide investors with a summary of any material changes to this Brochure within 120 days of the close of its fiscal year end. LNC Management, LLC may provide additional interim disclosure about material changes, if warranted, in compliance with regulatory guidance. For a current copy of this Brochure, please contact us at (703) 651-2150. Additional information about LNC Management, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD # 319581.

## **IMPORTANT NOTE ABOUT THIS BROCHURE**

***This Brochure is not:***

- ◆ ***An offer or agreement to provide advisory services to any person;***
- ◆ ***An offer to sell interests (or a solicitation of an offer to buy interests) in any Fund advised by LNC Management, LLC, or its affiliates; or***
- ◆ ***A complete discussion of the features, risks or conflicts associated with any Fund advised by LNC Management, LLC, or its affiliates.***

*In accordance with the Investment Advisers Act of 1940, as amended (“Advisers Act”), LNC Management, LLC will provide this Brochure to current and prospective investors. LNC Management, LLC may also, in its discretion, provide this Brochure to current or prospective investors in certain Funds, together with other relevant offering materials, such as a Fund’s private placement memorandum or operating agreement, prior to, or in connection with, such persons’ investment in such Funds.*

*Although this Brochure describes the investment advisory services of LNC Management, LLC, persons who receive this Brochure (whether from LNC Management, LLC, its affiliates, or authorized agents) should be aware that it is designed solely to provide information about LNC Management, LLC as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may not include all information provided in relevant offering materials.*

*More complete information about each Fund advised by LNC Management, LLC, and its affiliates, is included in relevant offering materials which may be provided to current and eligible prospective investors only by LNC Management, LLC, its affiliates, or authorized agents. If there is any conflict between information conveyed in this disclosure document and that conveyed in any offering materials, the information contained in the relevant offering materials will govern and control.*

### ITEM 3: TABLE OF CONTENTS

	<u>Page</u>
<b>PART 2A BROCHURE</b>	
<b>ITEM 1: COVER PAGE .....</b>	<b>i</b>
<b>ITEM 2: MATERIAL CHANGES .....</b>	<b>ii</b>
<b>IMPORTANT NOTE ABOUT THIS BROCHURE.....</b>	<b>iii</b>
<b>ITEM 3: TABLE OF CONTENTS .....</b>	<b>1</b>
<b>ITEM 4: ADVISORY BUSINESS .....</b>	<b>2</b>
<b>ITEM 5: FEES AND COMPENSATION.....</b>	<b>4</b>
<b>ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....</b>	<b>9</b>
<b>ITEM 7: TYPES OF CLIENTS.....</b>	<b>10</b>
<b>ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>11</b>
<b>ITEM 9: DISCIPLINARY INFORMATION.....</b>	<b>29</b>
<b>ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>29</b>
<b>ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....</b>	<b>31</b>
<b>ITEM 12: BROKERAGE PRACTICES .....</b>	<b>38</b>
<b>ITEM 13: REVIEW OF ACCOUNTS.....</b>	<b>40</b>
<b>ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION.....</b>	<b>41</b>
<b>ITEM 15: CUSTODY .....</b>	<b>42</b>
<b>ITEM 16: INVESTMENT DISCRETION .....</b>	<b>43</b>
<b>ITEM 17: VOTING CLIENT SECURITIES.....</b>	<b>43</b>
<b>ITEM 18: FINANCIAL INFORMATION .....</b>	<b>44</b>
<b>ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS .....</b>	<b>44</b>

## ITEM 4: ADVISORY BUSINESS

**A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

LNC Management, LLC is a private investment management company headquartered in Reston, Virginia. The entity was formed in May 2012 to provide investment advisory services to private investment funds and their underlying portfolio investments. LNC Management, LLC is 100% owned and managed by Partners Robert Monk, Matthew Kelty, and Mark Raterman (“**Managing Partners**” or “**Managers**”).

This Brochure describes the aggregate business practices of LNC Management, LLC, doing business as LNC Partners, and its general partners, which operate a single advisory business and are referred to throughout this Brochure as “**LNC**” or the “**Firm**.”

**B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

### Advisory Services

LNC provides investment advice to pooled investment vehicles (the “**Funds**” and individually a “**Fund**”). Within each Fund, LNC invests in equity and debt securities across a broad range of transactions, including management and leveraged buyouts, acquisitions, recapitalizations, privately negotiated control and minority investments, consolidations and roll-ups, spin-offs, carve-outs, and growth capital investments. LNC’s advisory services consist of investigating, identifying, and evaluating investment opportunities, structuring, negotiating, and making investments, managing, and monitoring the performance of such investments and disposing of such investments on behalf of the Funds. LNC also establishes, when necessary, separate vehicles such as blockers or holding companies to invest in or facilitate the investment in a business, on a deal-by-deal basis.

LNC has qualified to sponsor SBIC Funds, organized to invest in the debt and equity of growth-oriented companies qualifying as “small businesses” under Small Business Administration (“**SBA**”) regulations. Certain but not all LNC Funds are SBIC Funds.

The following are certain affiliated entities of LNC (the “**general partners**”):

- Leeds Novamark Associates I, LLC
- LNC Partners II - SBIC GP, LLC
- LNC Partners I Continuation Fund GP LLC

Each general partner listed above is deemed to be registered under the Advisers Act, pursuant to LNC’s registration in accordance with SEC guidance. This Brochure also describes the business

practices of each affiliated general partner, which operate as a single advisory business together with LNC.

Each Fund's terms may be different, including with respect to investment mandates, minimum investment size, and investment restrictions. Each Fund is a privately offered investment vehicle exempt from registration under the Investment Company Act of 1940, as amended (the "**1940 Act**"), and its securities will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**").

### **Fund Structure**

The specific investment strategy, structure, diversification guidelines, terms of investment, and other terms and conditions associated with each Fund are described in the Fund's private placement memorandum, subscription agreement, limited partnership agreement, management services agreement, and/or similar governing documents (collectively, the "**Offering Documents**") prepared specifically for the offering of interests in such Fund. With respect to any Fund, this Brochure is qualified in its entirety by the Offering Documents.

### **Investment Strategy**

LNC seeks to invest in high quality lower middle market companies that require flexible debt and equity capital solutions. In addition to providing capital, the Managing Partners make available the resources and support of an experienced private equity platform to each of its portfolio companies through active board oversight, capital raising assistance, and sourcing and structuring of acquisitions, amongst other roles. LNC will form one or more Continuation Funds structured solely to acquire portfolio investments from an LNC predecessor Fund, make follow-on investments, and manage, supervise and dispose of such portfolio investments.

#### **C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

Each Fund is offered exclusively to individuals who qualify as "accredited investors" under Regulation D promulgated under the Securities Act, and/or "qualified purchasers" as defined under Section 2(a)(51) of the 1940 Act and are therefore not required to register as investment companies with the SEC in accordance with the exemptions set forth in Sections 3(c)(1) or 3(c)(7) of the 1940 Act.

LNC tailors its advisory services to the particular investment strategy, criteria and guidelines set forth in the Offering Documents for each Fund. Once invested in a Fund, an investor cannot impose restrictions on the types of securities in which such Fund may invest. Investment strategies and guidelines are not tailored to the individualized needs of any particular investor in a Fund. On behalf of a Fund, LNC may, in its sole discretion, enter into one or more side letters or other agreements with certain limited partner investors, that may provide such investors with additional reporting. Interests in a Fund are illiquid and are not freely transferable. Investments in a Fund involve significant risks and should be regarded as long-term in nature, forming only one portion of an investor's diversified investment portfolio.

- D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

LNC does not participate in wrap fee programs.

- E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.**

As of December 31, 2022, LNC had approximately \$466,490,217 in discretionary Regulatory Assets under Management.

## **ITEM 5: FEES AND COMPENSATION**

- A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

### **Advisory Compensation**

Each investor in a Fund is charged an investment management fee (the “**Management Fee**”) that is generally based on capital commitments or invested capital (at cost), depending on the stage of a Fund’s life cycle. The amount of, and the manner and calculation of, the Management Fee is established through negotiations between LNC and each Fund and is set forth in the Offering Documents. Management Fees are paid quarterly in advance by each Fund investor to LNC or an affiliated entity.

Subject to Offering Documents, LNC or an affiliate is allocated a portion of cumulative net profits from the investments of such Fund (customarily referred to as a “**Carried Interest**”).

The compensation described herein may be modified and will at times differ from one Fund to another, as well as among investors in the same Fund. The Management Fee and Carried Interest is reduced or waived in some circumstances in connection with the receipt by LNC or its related persons of various fees paid by actual or prospective Fund portfolio companies or by certain organizational or other expenses borne by such Fund.

### **Other Expenses Paid by the Funds**

In addition to paying Management Fees and Carried Interest, each Fund is subject to the payment of other expenses, as set forth in the Offering Documents for each Fund, such as:

- expenses incurred in connection with the organization of a Fund,
- fees, costs, and expenses incurred in connection with the dissolution, liquidation and winding up of a Fund,

- expenses incurred in connection with preparing any amendment, restatement, or other modifications to certain Offering Documents,
- legal, administrator, accounting, auditing, and other professional expenses including, but not limited to, regulatory, compliance, filings, and reporting expenses (to the extent related to a Fund or its investments),
- principal, interest, and expenses relating to, or arising out of, borrowings by such Fund and all reasonable brokerage fees, commissions, and discounts,
- costs and expenses incurred in connection with the evaluation, research, purchase, retention, or sale of securities (whether or not consummated), including, without limitation, loan fees, private placement fees, sales commissions, finder's fees, brokerage fees, auditing fees, underwriting commissions and discounts, investment banker fees, insurance costs, and all other expenses that are directly related to particular investments or proposed investments, whether or not actually consummated,
- expenses incurred in connection with any meeting with investors and meetings of any committees formed by a Fund (such as a Limited Partner Advisory Committee),
- fees, costs, and expenses associated with the preparation and delivery of Fund financial statements, tax returns and Schedule K-1s, Schedule K-2s and Schedule K-3s, capital calls, distribution notices, other reports, and notices, and other required or requested information (including the fees, costs and expenses incurred to provide access to such reports or information, including through a secure website or other portal),
- the reasonable costs of any litigation, D&O liability, or other insurance, and
- any indemnification or extraordinary expense or liability relating to the affairs of such Fund.

Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. Each Fund also generally will bear the costs of implementing, monitoring, and complying with investment guidelines and directives relating to the Fund's strategy, including in side letters relating thereto. Additionally, subject to the Offering Documents, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests. As a general matter, broken deal expenses and other expenses relating to the diligence or evaluation of a prospective investment are allocated among investors within a Fund regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment.

If a Fund proposes to structure an investment using a blocker corporation or other intermediate entity to avoid causing certain limited partners to incur unrelated business taxable income or ECI



(effectively connected with the conduct of a trade or business within the United States), all costs, expenses and reduction in proceeds attributable to such blocker corporation or other intermediate entity, including those related to the structuring, formation, operation and liquidation of, and all taxes incurred in connection with, related to or imposed on, a blocker corporation or other intermediate entity shall be borne solely by the limited partners investing through such blocker corporation or other intermediate entity. In certain cases, these or similar expenses are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company.

To the extent holding or intermediate entities include one or more special purpose acquisition companies (“SPACs”), the relevant Fund(s) will bear the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders’ equity or similar interests issued thereby that are not held directly or indirectly by the Fund, and except where prohibited by the Offering Documents, such interests are permitted to be issued to LNC and its personnel. The Firm reserves the right to agree with operating partners, joint venture or similar partners, service providers, portfolio company management or other persons that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits interest granted in the relevant investments or related intermediate entities. While such an arrangement could be more favorable to the relevant Fund if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits interest generally would have a dilutive impact on the Fund’s investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation.

In certain circumstances, the Firm, intermediate holding companies or portfolio companies will prepay or otherwise bear ongoing expenses (*e.g.*, audit expenses) that are attributable to blocker corporations, other intermediate entities or co-investment vehicles that hold interests (directly or indirectly) in such intermediate holding companies or portfolio companies. Such prepaid or otherwise borne expenses will be netted out of any distributions that result from the disposition of such intermediate holding companies or portfolio companies such that these expenses (if any) are ultimately borne by the blocker corporations, other intermediate entities, or co-investment vehicles to which they are attributable. To the extent a Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

If the relevant general partner, the Firm, or their affiliates bear any Fund expenses, they are entitled to be reimbursed by a Fund or to offset such amounts against any reduction of the Management Fee as described above.

### **Allocation of Costs and Expenses**

From time to time, LNC will be required to decide whether costs and expenses are to be borne by a Fund, on the one hand, or LNC, on the other, and/or whether certain costs and expenses should be allocated between or among Funds. LNC will make such judgments in a manner that it determines to be fair and reasonable in good faith, notwithstanding its interest in the outcome, and will make corrective allocations should it determine that such corrections are necessary or

advisable. Costs and expenses are generally allocated, but not exclusively, pro rata based on the asset size of the Fund or Fund commitments.

However, such determination is inherently subjective and could give rise to conflicts of interest. There can be no assurance that a different manner of allocation would not result in a Fund bearing a greater (or lesser) amount of expenses. Travel and entertainment expenses in connection with a trip taken by employees of LNC for purposes of multiple matters will generally be allocated to each such matter based on the time spent for each matter.

### **Affiliate Fees**

LNC and its affiliates are often eligible to receive Affiliate Fees in certain cases pursuant to monitoring agreements with portfolio companies of the Funds, governing the advice, consultation and other similar ongoing services provided by LNC to such portfolio companies. LNC is entitled to retain all transaction fees, financing fees, closing fees, amendment fees, advisory fees, break-up fees, or other similar fees or compensation (including stock options or warrants issued for service on boards) in connection with investments in portfolio companies, provided that a pre-determined percentage, up to 100%, of all such fees will be credited against (and shall reduce, dollar for dollar) the Management Fee. The amount and timing of such fees received by LNC are generally negotiated at the time of the proposed investment and specified in the agreement or other documentation governing the transaction.

LNC generally reduces or offsets the amount of Management Fees paid by the applicable Fund in connection with the receipt of a portion of the fees described above. The amount and manner of such reduction or offset, if any, is set forth in the Offering Documents for the applicable Fund. Additionally, a portfolio company will generally reimburse LNC for expenses incurred by LNC in connection with its performance of services for such portfolio company, in accordance with governing documents.

If the payment of fees and expense reimbursements by portfolio companies are not fully reduced, a conflict of interest between LNC and the Fund is created because the amounts of these other fees and expense reimbursements can be substantial and such Funds and their investors generally do not have a full interest in these fees and reimbursements. LNC has the authority to negotiate the amount of these fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or other third parties.

### **Co-Investment Vehicle Expenses**

LNC makes available to Fund investors certain co-investment opportunities, at its discretion, such as investments outside a Fund's investment limitations, to complement a Fund's portfolio, when deemed by LNC to be in the investing Fund's best interests. Co-investments may include Carried Interest for LNC affiliated general partners and a customary Management Fee. The Management Fee offset provisions related to portfolio company monitoring fees, as described above, do not consider co-investment vehicles.

Generally, co-investors are contractually required, as a condition of investment, to initiate and exit their investments in each investment opportunity at substantially the same time and on substantially the same terms as the applicable Fund that is invested in that investment opportunity. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making of an investment whenever such agreement allows. For a discussion of material conflicts regarding investor allocation, please see “Allocation of Co-investment Opportunities” in *Item 11* below.

**Important Note: The above disclosure is not intended to fully convey all fees and expenses associated with an investment in a Fund sponsored by LNC. Please read applicable Offering Documents for full disclosure of fees and expenses before determining whether to invest in a Fund.**

**B. Describe whether you deduct fees from clients’ assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.**

LNC is authorized under the Offering Documents of each Fund to charge and deduct advisory fees directly from the contributed capital and/or other assets of the applicable Fund. Management Fees, where applicable, are generally payable by a Fund quarterly in advance. The general partner of a Fund typically makes capital calls on investors for their pro rata share of Fund expenses, including Management Fees. Following the dissolution of a Fund, the general partner of the Fund will, in accordance with Offering Documents, make a final determination of all items of income, gain, loss and expense. After payment or provision for payment of all liabilities and obligations of the Fund, the remaining assets, if any, will, in accordance with Offering Documents, be distributed to limited partner investors.

**C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

The fees and expenses disclosed above in *Item 5A* and *Item 5B* do not necessarily represent all applicable fees and expenses borne by a Fund. For a complete description of all fees and expenses associated with a Fund, consult the applicable Fund’s Offering Documents. For further discussion of brokerage fees, commissions and other related transaction costs and expenses, please refer to *Item 12* below.

**D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Management Fees, when applicable, are generally paid quarterly in advance. To the extent that Management Fees are paid in advance, there typically would not be any refund of pre-paid fees if

the advisory contract is terminated before the end of a quarterly period. Under the legal terms of a Fund's subscription agreement that is signed by each limited partner investor for such Fund, investors are not permitted to withdraw from a Fund and are required to maintain their investments throughout the life of a Fund. The transfer or assignment of limited partner interests requires the approval of the Fund's general partner. See applicable Offering Documents for more details.

**E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact.**

Aside from the fees described above in *Items 5A* and *5B* and any other fees described in Fund Offering Documents, LNC and its employees do not accept compensation, including sales charges or service fees, for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

**If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a Client that is a hedge fund or other pooled investment vehicle) disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.**

As noted in *Item 5*, LNC receives Carried Interest from each Fund. The payment of Carried Interest to LNC may be made at different rates and is determined on a Fund-by-Fund basis, and in some cases on an investor-by-investor basis. Certain Funds, and certain investors in each Fund, would therefore pay lower rates than other Funds or investors.

This creates an incentive for LNC to disproportionately allocate time, services or functions to Funds paying Carried Interest at a higher effective rate or subject to a lower hurdle before paying Carried Interest. Generally, this conflict is mitigated by contractual provisions and procedures setting out: (i) specific resource allocation requirements through key man mechanisms which are typically providing for LNC's Managing Partners to devote significant time to the management of the portfolio, (ii) the requirement that invested capital and related expenses be returned to investors before the general partner of a Fund becomes entitled to receive any Carried Interest, (iii) the requirement that the general partner retain a capital commitment to the Fund; and (iv) a general partner clawback obligation under dissolution of the Fund. For a discussion of material conflicts regarding allocation, please see *Item 11* below.

Additionally, to the extent that LNC has Funds with varying Carried Interest terms (including amount, timing, waterfall conditions or other terms) and/or Firm personnel are assigned varying percentages of Carried Interest from the Funds, the Firm and such personnel are subject to potential

conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher Carried Interest percentage.

LNC seeks to address the potential for conflicts of interest in these matters with allocation policies and/or practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Offering Documents, as well as other factors that do not include the amount of performance-based compensation received by the Firm or any personnel.

## **ITEM 7: TYPES OF CLIENTS**

**Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

### **Types of Clients and Investment Vehicles**

As noted in *Item 4* above, LNC provides discretionary investment advice to the Funds, which are pooled investment vehicles exempt from registration under the 1940 Act. Each Fund has a minimum subscription amount as set forth in the Offering Documents. LNC reserves the right to waive the minimum investment amount for investors.

### **Continuation Funds**

As noted above, LNC will form one or more Continuation Funds structured solely to acquire portfolio investments from an LNC predecessor Fund, make follow-on investments, and manage, supervise and dispose of such portfolio investments. Upon the execution of the transaction agreement and transfer of the portfolio companies from a predecessor Fund to the Continuation Fund, the predecessor Fund will have no further right, interest or obligation of any kind to the Continuation Fund or its portfolio companies unless otherwise provided for within legal agreements.

### **Multiple Funds**

During a Fund's active investment period, the Firm will pursue all appropriate investment opportunities that meet the investment criteria of the Fund principally for the benefit of the Fund, subject to certain exceptions set forth in the Offering Documents. However, the Firm manages multiple investment funds and investments similar to those in which an active Fund will be investing and reserves the right to direct certain relevant investment opportunities to those investment funds and investments. If other investment funds are formed, the Managing Partners and LNC's investment staff will manage and monitor such Funds and investments. The Firm believes that the significant investment of the Managing Partners in each Fund, as well as the Managing Partners' interest in the Carried Interest, operate to align, to some extent, the interest of the Managing Partners with the interest of limited partner investors, although the Managing Partners have or may have economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests. Such other

investment funds and investments that the Managing Partners may control or manage may compete with an active Fund or companies acquired by the Fund. New investments will be allocated in accordance with LNC's allocation policies, and as set forth in Fund Offering Documents.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

- A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

### **Methods of Analysis and Investment Strategies**

As noted above, LNC invests in high quality lower middle market companies that require flexible debt and equity capital solutions. In addition to providing capital, the Managing Partners make available the resources and support of an experienced private equity platform to each of its portfolio companies through active board oversight, capital raising assistance, and sourcing and structuring of acquisitions, amongst other roles.

Historically, the Managing Partners have been the lead investor in the class of security they participate in for a majority of the investments in their track records. In terms of investment rights, LNC primarily structures its debt investments with strong operating and financial covenants (such as total leverage, fixed charge, capital expenditures, minimum EBITDA, etc.), and stays close to portfolio companies through active oversight as board members or observers. For minority equity investments, LNC will typically structure consent rights into its agreements to ensure that it has a degree of control over the investment. Examples of these consent rights include the requirement of LNC's approval for the following events: affiliate transactions, acquisitions, executive compensation changes, management hiring/firing decisions, and change of control or liquidation transactions, among others. In addition, in certain cases, LNC has negotiated a liquidity preferred on its preferred equity investments.

### **Investment Policies**

The Firm generally targets established companies with annual revenues of between \$10 million and \$150 million and annual EBITDA of between \$1.5 million and \$20 million for debt and equity investments. Each potential equity investment is analyzed to determine whether being further down the balance sheet would yield a sufficiently attractive MOIC and IRR profile to compensate for the perceived increased risk. That said, LNC focuses first and foremost on the protection of invested capital regardless of whether the security is a debt or equity investment.

The Firm does not focus on turnarounds, but rather on strong performers with a product or service that offers an important value proposition for the client or customer. The Firm does not typically pursue broad auctioned transactions for its equity investments; rather, LNC pursues such transactions through its proprietary efforts and strategy.

Where applicable, a Fund will abide by the SBA Regulations regarding investment size, and pricing limitations.

## **Due Diligence Procedures**

LNC investment professionals are rigorous in their due diligence and review of opportunities in order to ensure that all potential investments meet the criteria stated previously. The formal diligence process typically begins once transaction terms have been agreed upon. The process includes multiple meetings with company management, site visits, financial review, industry analysis, customer interviews and other data gathering activities which are then summarized into a formal business analysis, financial projection models and an investment memo. The document review is typically organized around a detailed data request that is submitted to the company at the onset of diligence, building on any detail they have already disclosed in their data room.

Third party accounting and consulting firms are typically used, with the engagement structure dependent on the deal type. In situations where LNC leads the deal (majority of the time), the Managing Partners will select the firms used. Work performed will typically be comprised of accounting diligence, which includes audit review, quality of earnings analysis, working capital analysis, financial controls review and verification of certain key business metrics.

Depending on the business of the target, LNC might also hire a consulting firm with specific industry or market expertise. Such an analysis would generally focus on issues such as end-market trends, market size and growth, competitive dynamics, and other microeconomic issues specific to a particular company. This analysis can be a critical part of due diligence since the LNC's target companies often operate in market niches well below the radar of Wall Street research reports, etc. In special situations, LNC will go beyond utilizing accounting and industry consulting firms and will seek additional sources of expertise on key matters (regulatory, legal, insurance, environmental, etc.) that the Managing Partners believe could impact the company in the future.

In addition to the business diligence items outlined above, LNC requires background checks on key company executives, and will perform due diligence on any investment firms with which it chooses to partner. LNC's counsel also performs its own diligence on the company and the transaction to ensure that all legal and structural matters are in good order.

Upon the conclusion of the due diligence process, the investment professionals typically formalize their findings into a presentation as well as a financial model and write-ups of due diligence calls with customers, suppliers and other references, which serves as the basis for the Investment Committee discussions.

## **Risk of Loss**

The investments described herein involve significant risks and should be undertaken only by investors capable of evaluating and bearing such risks. Fund and private investment returns are unpredictable and, accordingly, a private investment program is not suitable as the sole investment vehicle for an investor. A prospective investor should only invest in a Fund as part of a broader overall investment strategy, and only if the prospective investor is able to withstand a total loss of its investment. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of an investment. Due

to these factors, as well as other risks inherent in any investment, there can be no assurance that an investment will meet its expected return objectives.

The risks disclosed in this Brochure do not represent all risks and other considerations involved in connection with an investment in a Fund. Prospective investors should make their own inquiries and investigation, including an evaluation of the merits and risks involved and the legality and tax consequences of investing, and consult their own advisors as to the merits of investing, and the legal, tax and related matters concerning an investment in a Fund or direct investment.

**B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

Investments in pooled vehicles involve a high degree of risk and are suitable only for investors of substantial means who have no immediate need for liquidity of the amount invested and who can afford a risk of loss of all or a substantial part of such investment. There can be no assurance that the investment objectives of any Fund will be achieved or that an investor will receive a return of his/her/its capital. Interests in the Funds are illiquid and are not freely transferable. Investors should carefully consider the risks enumerated below knowing that these risk disclosures do not fully capture the investment risks attendant to private company investments.

Despite LNC's research and analysis, investing in securities involves risk of loss that investors and prospective investors must be prepared to bear. LNC's investment strategy entails substantial risks, including, but not limited to, those listed below. Further risk factors are discussed in the applicable Offering Documents.

**Nature of Private Investments.** Investment in the Funds requires a long-term commitment, with no certainty of return. The Funds may invest in companies that are experiencing or are expected to experience financial difficulties, which will require additional equity capital to be successful. Identifying potentially profitable enterprises is a difficult task. The companies in which the Funds will invest may involve a high degree of risk. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities, and a larger number of qualified managerial and technical personnel. Many of the Funds' investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize a return on such investments in a timely manner, if at all. Additionally, the Funds may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144 of the Securities Act or another exemption under the Securities Act. Since the Funds may only make a limited number of investments and since many of the Funds' investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors. Additionally, it should be noted that past performance is not a guarantee of future results.



**Debt Instruments Risk.** A Fund may invest in loans and other types of debt instruments and securities. Such investments may be secured, partially secured or unsecured and may be rated or unrated, and whether or not rated, may have speculative characteristics. Changes in interest rates generally will cause the value of fixed rate debt investments held by a Fund to vary inversely to such changes. Debt investments with longer terms to maturity or duration are subject to greater volatility than investments in shorter-term obligations. The issuer of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement. An obligor's willingness to pay interest or to repay principal due in a timely manner may be affected by, among other factors, its cash flow. Commercial bank lenders may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements.

**Risks Associated with Investments in Equity Securities Related to Investments in Loans.** Investments in equity securities related to investments in debt instruments entail certain risks in addition to those associated with investments in debt instruments. Because equity is merely the residual value of a portfolio company after all claims and other interests, it is inherently riskier than debt instruments of the same portfolio company. The value of the equity securities may be affected more rapidly, and to a greater extent, by company- and industry-specific developments and general market conditions. These risks may increase fluctuations in the net asset value of a Fund. A Fund frequently may possess material non-public information about a portfolio company as a result of its ownership of debt instruments of a portfolio company. Because of prohibitions on trading in securities while in possession of material non-public information, a Fund might be unable to enter into a transaction in a security of the portfolio company when it would otherwise be advantageous to do so.

**Priority of Debt.** To the extent a Fund invests in second lien, mezzanine or other instruments, its portfolio companies typically may be permitted to incur other debt that ranks equally with, or senior to, such debt instruments. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we will be entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to a Fund's investment in that portfolio company would typically be entitled to receive payment in full before the Fund receives any distribution in respect of such investment. In such cases, after repaying such senior creditors, such portfolio company may not have sufficient remaining assets to use for repaying its obligation to the Fund. In the case of debt ranking equally with debt securities in which a Fund invests, the Fund would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

**Convertible Securities Risk.** Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock or other equity security of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally: (i) have higher yields than common

stocks, but lower yields than comparable non-convertible securities; (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics; and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value,” or determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege, and its “conversion value,” or the security’s worth, at market value, if converted into the underlying common stock. The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. Although under normal market conditions longer-term convertible debt securities have greater yields than do shorter-term convertible debt securities of similar quality, they are subject to greater price fluctuations.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on a Fund’s ability to achieve its investment objective.

**Preferred Securities Risk.** Preferred securities may pay fixed or adjustable rates of return. Preferred securities are subject to issuer-specific and market risks applicable generally to equity securities, however, unlike common stocks, participation in the growth of an issuer may be limited. Distributions on preferred securities are generally payable at the discretion of the issuer’s board of directors and after the company makes required payments to holders of its bonds and other debt securities. For this reason, the value of preferred securities will usually react more strongly than bonds and other debt securities to actual or perceived changes in the company’s financial condition or prospects. Preferred securities of lower middle-market companies may be more vulnerable to adverse developments than preferred securities of larger companies. Preferred securities may be less liquid than common stocks.

**Warrants Risk.** Warrants give holders the right, but not the obligation, to buy common stock of an issuer at a given price, usually higher than the market price at the time of issuance, during a specified period. The risk of investing in a warrant is that the warrant may expire prior to the market value of the common stock exceeding the price fixed by the warrant. Warrants have a subordinate claim on a portfolio company’s assets compared with debt instruments. As a result, the values of warrants generally are dependent on the financial condition of the portfolio company

and less dependent on fluctuations in interest rates than are the values of many debt securities. The values of warrants may be more volatile than those of debt instruments and this may increase the volatility of the net asset value of a Fund.

**No Assurance of the Success in Locating or Investing in Portfolio Companies.** There can be no assurance that LNC will be able to locate suitable investments for its Funds. The act of identifying, completing, and realizing an attractive investment opportunity is highly competitive and involves a high degree of uncertainty. The Funds will compete for the acquisition of investments with many other investors, some of whom may possess competitive advantages over the Funds in bidding for investments, including greater financial, technical, marketing, and other resources, different risk tolerances and assessments, varying return thresholds and lower cost of capital. Further, over the past several years, an ever-increasing number of private investment funds have been formed (and many existing funds have grown in size).

Investors will not have the opportunity to personally evaluate the relevant economic, business, financial and other information which will be used by the Firm in making investment decisions. Although LNC will attempt to make investments on behalf of the Funds which meet the criteria set forth in Offering Documents, there is no assurance that such investments can be located. Market and other conditions may require the Funds to make investments that offer a lower rate of return or involve a higher degree of risk than otherwise anticipated.

**No Assurance of Returns.** There can be no assurance that investors will receive distributions from a Fund in an amount equal to their investment in such Fund. The timing of profit realization, if any, is highly uncertain. A Fund's operating costs, including the Management Fee payable to the general partner, may exceed the Fund's income, thereby requiring the difference to be paid out of the Fund's capital. Most of the capitalization of a Fund, except for operating cash reserves and funds set aside for follow-on investments in the Fund's portfolio companies and investments then in process, are expected to be invested or committed by the predefined anniversary of the Fund's final closing date, which may be extended as set forth in Offering Documents. The expenses of a Fund in its early years may exceed its income. Such losses will reduce Fund capital. It is possible these losses may never be recovered.

**Lack of Operating History.** A Fund and its general partner may be newly formed entities, and accordingly would have no operating history or investments upon which investors can evaluate the potential performance of the Fund. The prior performance of the Managing Partners is not necessarily indicative of a Fund's future results. The previous investment ventures of the Managing Partners may have benefited from investment opportunities and general market conditions that may not repeat themselves. There can be no assurance that investments by a Fund will achieve returns comparable to the historical performance achieved by predecessor Funds. A Fund may not be able to achieve the same returns or profitable investment opportunities or deploy or return capital as quickly as was done in such other investments or investment vehicles, and favorable market conditions may not continue. In any event, the returns achieved by a Fund will be subject to the Management Fee and the general partner's Carried Interest. Any given investment made by a Fund may prove to be worthless, and there is a risk that investors could lose money.

**Ultimate Fund Size.** A general partner cannot guarantee that a Fund will reach its maximum of total capital commitments. The number of investments and potential profitability of a Fund could

be affected by the amount of funds at its disposal, and, in the event a Fund obtains less than the target amount of capital for investment, the Fund's investment return might be affected to a greater degree by errors in investment decisions than the investment returns of other entities with greater capitalization.

**Reliance on the General Partner.** A general partner will have sole discretion over the investment of the funds committed to a Fund as well as the ultimate realization of any profits. The partners will not receive the detailed financial information issued by portfolio companies that will be available to a Fund. Accordingly, the partners will not have the opportunity to evaluate the relevant economic, financial, and other information that will be utilized by a general partner in its selection of investments. As such, the pool of funds in a Fund represents a blind pool of funds. Investors in a Fund will be relying on the general partner to identify, structure, and implement investments consistent with a Fund's investment objectives and policies and to conduct the business of a Fund. The partners will not make decisions with respect to the management, disposition or other realization of any investment made by a Fund, or other decisions regarding a Fund's business and affairs.

**Reliance on the Managing Partners.** The loss of the Managing Partners would have a significant adverse impact on the business of the Funds and their financial performance. No assurances can be given that the Managing Partners will continue to be affiliated with a general partner throughout a Fund's term. Further, notwithstanding any prior experience that the Managing Partners may have in making investments of the type expected to be made by a Fund, any such experience necessarily was obtained under different market conditions. There can be no assurance that the Managing Partners will be able to duplicate prior levels of success.

**Geographic Concentration of a Fund's Investments.** A Fund's investments will be limited to the United States and may be concentrated within one or more regions of the United States or individual states. Adverse economic conditions in the United States, or in a region or state in which a Fund's investment are concentrated, could adversely affect the Fund's financial results.

**Recession Risk.** Many of a Fund's portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay their debt obligations during these periods. Therefore, during these periods, a Fund's non-performing assets may increase, and the value of its portfolio may decrease. Adverse economic conditions also may decrease the value of collateral securing some of a Fund's debt investments and the value of its equity investments. Economic slowdowns or recessions also could increase a Fund's funding costs. These events could prevent a Fund from increasing investment and harm its operating results. An economic downturn could disproportionately impact the industries in which a Fund invests, causing it to be more vulnerable to losses in its portfolio, which could negatively impact financial results.

**Uncertainty Regarding Investment Data and Diligence.** Each general partners' investment analysis methods rely on the assumption that the companies in which the Funds invest, and other sources of information about these companies and comparable companies, are providing accurate, complete, and timely financial information. There is a risk that the investment analysis may be compromised by inaccurate or misleading information. Although the general partners make efforts to conduct complete due diligence prior to making an investment, the due diligence process may

be subjective at times, may be undertaken on an expedited basis in order to take advantage of available investment opportunities and may require a general partner to rely on limited resources available including information provided by the target of the investment and third-party consultants, legal advisers, accountants, and investment banks. As a result, the due diligence investigation may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

**Difficulty in Valuing Portfolio Investments.** Generally, there will be no readily available market for a substantial number of the Funds' investments and hence, most of the Funds' investments will be difficult to value. Due to the absence of readily available market valuations or market quotations for securities of the Funds' privately held portfolio companies, the valuation of Fund investments in such portfolio companies is determined in good faith by the general partner(s); the Funds are not required to have such valuations independently determined. Despite the general partners' efforts to acquire sufficient information to monitor certain of the Funds' investments and make well-informed valuation and pricing determinations, the general partners may only be able to obtain limited information at certain times. It is possible that the general partners may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of the Funds' investments. The general partners may have to make valuation determinations without the benefit of an adequate amount of relevant information. Investors should be aware that because of these difficulties, as well as other uncertainties, any valuation made by the general partners may not represent the fair market value of the securities acquired by the Funds.

**Competitive Marketplace.** The marketplace for private debt and equity investing has become increasingly competitive. Participation by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment opportunities is at high levels. Some of the Funds' potential competitors may have greater financial and personnel resources than the general partners. There can be no assurances that the general partners will locate an adequate number of attractive investment opportunities. To the extent that the Funds encounter competition for investments, returns to investors in such Funds may vary.

**Changing Economic Conditions.** The success of the general partners' investment strategy could be significantly impacted by changing external economic conditions in the United States and global economies. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war. The availability, unavailability, or hindered operation of external credit markets, equity markets and other economic systems which the Funds may depend upon to achieve their objectives may have a significant negative impact on the Funds' operations and profitability. There can be no assurance that such markets and economic systems will be available or will be available as anticipated or needed for the Funds to operate successfully. Changing economic conditions can adversely impact the valuation of portfolio holdings.

**Interest Rate Changes.** The investment performance of a Fund will depend in part on the interest rate at which the Fund can loan money to portfolio companies. If there is a period of declining interest rates prior to the end of a Fund's investment period, the interest rate at which a Fund is able to loan money may be decreased, which could adversely affect returns to the limited partners.

**Lender Liability.** A Fund may be subject to lender liability claims for actions taken with respect to a borrower's business or instances where it exercises control over the borrower. It is possible that a Fund could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

**Recourse to Fund Assets.** A Fund's assets, including any investments made by the Fund, are available to satisfy all liabilities and other obligations of the Fund, e.g., creditor claims and litigation awards. If a Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and not be limited to any particular asset, such as the asset representing the investment giving rise to the liability.

**Minority Investments.** Some of the Funds' investments may represent minority stakes in privately held companies. In addition, during the process of exiting investments, the Funds may hold minority equity stakes if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that the Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. The Funds may also invest in companies for which the Funds have no right to appoint a director or otherwise exert significant influence. In such cases, the Funds will be reliant on the existing management and board of directors of such companies, which may include representatives of other investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds.

**No Assurance of Additional Capital for Investments.** After the Funds have financed a portfolio company, the company's success may require that additional financing be provided. No assurance can be given that such additional financing will be available, and no assurance can be made as to the terms upon which such financing may be obtained.

**Fund-Level Leverage.** LNC may seek commercial debt facilities for the Funds. The amount and terms of any such facility are not yet determined. There can be no assurance that a Fund will be able to secure a commercial debt facility with attractive terms or maintain this leverage throughout the life of such Fund. If a Fund incurs indebtedness, it could result in interest expense and other costs that may not be covered by distributions made to such Fund or appreciation of its investments. In addition, to the extent a Fund incurs indebtedness, such amounts typically will be secured by capital commitments made by such Fund's investors in accordance with the applicable Partnership Agreement and enforceable against such Fund investors.

**Portfolio Company Leverage.** To the extent that any investment is made in a portfolio company with a leveraged capital structure, or any portfolio company borrows or enters into other financing transactions requiring periodic payments, such investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such company or its industry. Leverage may also involve restrictive covenants, terms, and conditions the violation of which would be viewed by creditors as an event of default and which could require the prepayment of debt using excess cash flow, or cures in the form of additional follow-on investments, which capital may not always be available. This leverage may impair these companies' abilities to finance their future operations

and capital needs. As a result, their flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. If such a company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of any investment by the Funds in such company could be significantly reduced or even eliminated. These leverage risks are in addition to risks described herein regarding leverage of a Fund's capital through the use of a third-party line of credit.

**Limitations on Ability to Exit Investments.** The general partners expect to exit from investments in two principal ways: (i) refinancings, and (ii) private sales (including acquisitions of its portfolio companies). At any particular time, one or both of these avenues may not be open to a Fund, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

**Distributions in Kind.** Although, under most circumstances, the Funds intend to make distributions in cash, it is possible that under certain circumstances (including in connection with the liquidation of a Fund), distributions may be made in kind. It may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by the applicable investors. After such a distribution of securities is made to a Fund's investors, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the applicable Partnership Agreement.

**Potential Liabilities.** In connection with their investments, the Funds may negotiate the right to appoint one or more of the principals of the general partner(s) as a member of the portfolio company's board of directors. Such membership on the board of directors of a company can result in a Fund or the individual director being named as a defendant in litigation or other disputes or investigations. A Fund may also participate in portfolio company financings at valuations lower than the valuations in preceding rounds of financing. Disputes arising out of such down-round financings may result in a Fund, the general partner, or its partners being named as defendants. Typically, portfolio companies will have insurance to protect directors and officers, but this insurance may be inadequate to adequately protect board representatives from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

A Fund will also indemnify the general partner, its principals, LNC, and their respective affiliates, among others, for liabilities incurred in connection with operations of a Fund, including liabilities arising from such disputes. Such indemnification obligations and other liabilities could be substantial. Investors may also be required to return distributions previously made to them to satisfy a Fund's indemnification obligations. While the general partners intend to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims or lawsuits or adverse regulatory action cannot be eliminated, and such events could have significant adverse effects on the Funds.

**Limitation of Liability and Indemnification of Fund Personnel.** A general partner, as a result of its various relationships to a Fund, has a fiduciary relationship to the Fund and the partners. Each Partnership Agreement and each general partner's operating agreement provide limitations on the general partner's liability to a Fund and provide for indemnification of the general partner and related persons under certain circumstances. Purchasers of interests in a Fund may have more limited rights than they would have absent such limitations.

**No Right to Control the Fund's Operations.** Limited partners will have no opportunity to control the day-to-day operations of a Fund, including disposition decisions. Except as set forth in the applicable Partnership Agreement, in order to safeguard their limited liability from the liabilities and obligations of a Fund, limited partners must rely entirely on the general partner and the Management Company to conduct and manage the affairs of the Fund.

**Capital Calls.** Capital calls will be issued by a Fund from time to time at the discretion of the general partner, based upon the general partner's assessment of the needs and opportunities of the Fund. To satisfy such calls, limited partners may need to maintain a substantial portion of their capital commitments in cash or assets that can be readily converted into cash.

**Limitations on Limited Liability of Limited Partners.** A Fund has been organized as a limited partnership. Accordingly, a limited partner will not be personally liable for the debts of a Fund except that the limited partners may, under applicable law, or under the provisions of the applicable Partnership Agreement, be obligated to repay amounts previously received by them (i) to the extent such amounts are deemed to have been wrongfully distributed to them, or (ii) in connection with other provisions of the Partnership Agreement including, for example, in connection with any indemnification obligations.

**Failure to Fund Commitments; Consequences of Default.** If limited partners fail to fund their capital commitment obligations when due, a Fund's ability to complete its investment program or otherwise to continue operations may be substantially impaired. A default by a substantial number of limited partners or by one or more limited partners who have made substantial capital commitments would limit opportunities for investment diversification and likely would reduce returns to a Fund. If a limited partner fails to fund any of its capital commitment when required, such limited partner may be subject to substantial penalties under the applicable Partnership Agreement and its interest in a Fund and its investments may be diminished and/or forfeited.

**Contingent Liabilities on Disposition of Investments.** In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. To the extent that any such representations are inaccurate, a Fund may be required to indemnify the purchasers of such investment and may be liable to the purchasers for breach of contract. These arrangements may result in the incurrence of contingent liabilities for which the general partner may establish reserves and escrows. In that regard, any distributions from the Fund may be delayed or withheld until such reserve is no longer needed or the escrow period expires. Investors may also be required to return distributions previously made to them to satisfy a Fund's obligations with respect to the foregoing.



**Additional Follow-On Investments.** Some portfolio companies may require additional financing to satisfy their working capital requirements or acquisition strategies. Following its initial investment in a portfolio company, a Fund may make additional debt or equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in a portfolio company in order to protect such Fund's investment when a portfolio company's performance does not meet expectations. There can be no assurance that such Fund will wish to make follow-on investments or that such Fund will have sufficient funds to do so or that such additional investment would not exceed such Fund's diversification limit. Any decision by a Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish such Fund's ability to influence such portfolio company's future development or significantly dilute such Fund's ownership in such portfolio company, negatively affecting the performance of such Fund.

**Reserves.** As is customary in private equity, a general partner may establish reserves for follow-on investments by a Fund in portfolio companies, operating expenses (including the Management Fee), Fund liabilities and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could impair the investment returns to the partners. If reserves are inadequate, a Fund may be unable to take advantage of attractive follow-on or other investment opportunities. If reserves are excessive, a Fund may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

**Third-Party Involvement.** The Funds may co-invest with third parties and those investments may involve risks in connection with such third-party involvement. A third-party co-investor may have financial, legal, or regulatory difficulties, negatively affecting such investment, may have economic or business interests or goals that are or may become inconsistent with those of a Fund or may be in a position to take or block action contrary to a Fund's investment objectives. In addition, a Fund may, in certain circumstances, be liable for actions of its third-party co-investor or partners.

**Absence of Liquidity and Public Markets.** A Fund's investments will generally be private, illiquid holdings. As such, there will be no public markets for the securities held by a Fund and no readily available liquidity mechanism at any particular time for any of the investments held by a Fund. In addition, the realization of value from any investments will not be possible or known with any certainty until the general partner elects, in its sole discretion, to sell the Fund's investments and subsequently distribute the proceeds to its investors or to distribute securities to investors in lieu of cash.

**No Market; Illiquidity of Fund Interests.** An investment in a Fund will be illiquid and involves a high degree of risk. There is no public market for the interests in a Fund, and it is not expected that a public market will develop. Consequently, investors will bear the economic risks of their investment for the term of a Fund. Prospective investors will be required to represent and agree that they are purchasing the interests for their own account for investment only and not with a view to the resale or distribution thereof.

In addition, a Fund may invest in investments that unexpectedly cannot be realized in an orderly fashion until after the date on which the Fund is scheduled to terminate. Although it is the expectation of LNC that all investments will be disposed of prior to the end of a Fund's term, a Fund may have to sell or otherwise dispose of investments on disadvantageous terms as a result of such Fund's termination or distribute such investments in kind.

**Certain Limitations on Ability of Partners to Transfer their Interests in a Fund.** The transferability of interests in a Fund (the “Interests”) will be restricted by the applicable Partnership Agreement and by United States federal and state securities laws. In general, partners will not be able to sell or transfer their interests in a Fund to third parties without the consent of the general partner. The Interests should only be acquired by a prospective investor if the investor is able to commit its funds for an indefinite period of time. A limited partner will not be permitted to assign, sell, exchange or transfer any of its interests, rights, or obligations with respect to its Interest without the prior written consent of the general partner, which consent may be given or withheld in the sole and absolute discretion of the general partner. Except in extremely limited circumstances, withdrawals from a Fund will not be permitted. In addition, the Interests are not redeemable. The Interests have not been registered under the Securities Act, the securities laws of any U.S. state or any securities laws of any other jurisdiction (unless required by applicable law), and, therefore, cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. It is not contemplated that registration of the Interests under the Securities Act or other securities laws will ever be effected (unless required by applicable law). There is no public market for the Interests, and one is not expected to develop.

**Credit Line Risk.** A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant general partner's ability to consent to the transfer of a limited partner's interest in the Fund or impose concentration or other limits on the Fund's investments, and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure a subscription line, the relevant general partner may request certain financial information and other documentation from limited partners to share with lenders. The general partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the general partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant general partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. The general partner is authorized to use Fund-level borrowing to pay Management Fees and to reimburse the Firm for expenses incurred on behalf of the Fund. A Fund

is also permitted to utilize Fund-level borrowing when the general partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

**Controlled Group Risk.** Under the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), members of certain “controlled groups” of “trades or businesses” may be jointly and severally liable for contributions required under any member’s tax-qualified defined benefit pension plan and under certain other benefit plans. Further, if any member’s tax-qualified defined benefit pension plan were to terminate, underfunding at termination would be the joint and several responsibility of all controlled group members, including members whose employees did not participate in the terminated plan. Similarly, joint and several liability may be imposed for certain pension plan related obligations in connection with the complete or partial withdrawal by an employer from a multiemployer pension plan. Depending on a number of factors, including the level of ownership held by a Fund and other co-investors in a particular portfolio company, a Fund may be considered to be a member of one or more portfolio company’s “controlled group” for this purpose.

**Cybersecurity Breaches and Identity Theft Risk.** A Fund 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 general partner intends to implement 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 general partner, a Fund and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the general partner’s, a Fund’s and/or a portfolio company’s operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the general partner’s, a Fund’s, and/or a portfolio company’s reputation, subject any such entity and its respective affiliates to legal claims and/or regulatory actions, or otherwise affect their business and financial performance. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company’s systems, such portfolio company may be subject to substantial losses in the form of stolen, lost, or corrupted (a) customer data or payment information; (b) customer or portfolio company financial information; (c) portfolio company software, contact lists or other databases; (d) portfolio company proprietary information or trade secrets; or (e) other items.

In certain events, a portfolio company’s failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject a portfolio company or a Fund to substantial losses including losses relating to misappropriation of assets, intellectual property, or confidential

information; corruption, deletion, or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state, or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds, or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the general partner or one of its affiliates or service providers holding its financial or investor data, the general partner, its affiliates or a Fund may also be at risk of loss.

**Political and Economic Risk.** Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, political instability, fear of and/or actual terrorist activity, potential or ongoing military conflicts and related economic sanctions (e.g., the ongoing military conflict between Russia and Ukraine and the resulting sanctions placed on Russian entities and persons), localized or global pandemics (including the ongoing COVID-19 pandemic), financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Funds and their portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon Fund portfolio companies.

**Coronavirus and Public Health Emergency Risk.** As of the date of this Brochure, there is an outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization has declared to constitute a “**Pandemic**.” The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity, and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak has rapidly evolved, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. Businesses have also implemented similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, have created significant disruption in supply chains and economic activity, and have had a particularly adverse impact on transportation, hospitality, tourism, entertainment, and other industries. As the pandemic continues, its full impact remains uncertain and difficult to assess. The long-term impact of the accommodative monetary policy and government economic relief spending in the United States, aimed at countering the adverse effects of the pandemic, is unknown. However, any meaningful and sustained rise in inflation could further adversely impact the value and performance of the Funds.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could

have a significant adverse impact on the Funds and their portfolio companies and could adversely affect the Funds' ability to fulfill their investment objectives.

The extent of the impact of any public health emergency on the Funds' and their portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the Funds' portfolio companies, the Funds' ability to source, manage and divest investments and the Funds' ability to achieve their investment objectives, all of which could result in significant losses to the Funds. In addition, the operations of the Funds, their portfolio companies and the Management Company may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

**Russia-Ukraine Conflict.** On February 24, 2022, Russia launched an invasion of Ukraine that has resulted in an ongoing military conflict between the two countries (the "Russia-Ukraine Conflict"). The Russia-Ukraine Conflict has caused, and is currently expected to continue to cause, significant disruptions to the global financial system, international trade, and the transportation and energy sectors, among others. In addition, the Russia-Ukraine Conflict has displaced millions of people, causing an acute refugee crisis in Europe, and has increased the threat of nuclear accidents or attacks, cyberattacks and further regional or global conflicts (including a potential expansion of the Russia-Ukraine Conflict to other countries as well as other unrelated potential conflicts), among other including the United States and the EU, have put in place global sanctions and other severe restrictions or prohibitions on the activities of certain individuals and businesses connected to Russia and/or Belarus. Private companies have also implemented restrictions that severely limit, and in some cases, reverse or cancel, business transactions in or involving certain individuals and/or businesses connected to or associated with Russia and/or Belarus. Further, some private companies have moved to divest of Russia-based subsidiaries and assets. In addition, the impacts of the Russia-Ukraine Conflict on the supply chain and commodity prices are expected to be profound and may result in substantial inflation in one or more countries (or globally). However, the ultimate impact of the Russia-Ukraine Conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of a Fund or any particular industry, business, currency or country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine Conflict may have a significant adverse impact on, and result in significant losses to, a Fund and its portfolio companies. In particular, the portfolio companies of a Fund may suffer significant increases in operating costs (including, among other reasons, as a result of the substantial increase in energy prices), reductions in customers or new subscriptions for services, losses from cyberattacks, significant reductions in revenue and growth, increased foreign exchange risk and/or unexpected operational losses and liabilities. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the

future. Developing and further governmental actions (sanctions-related, military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy that a Fund intends to pursue, all of which could adversely affect a Fund's ability to fulfil its investment objectives.

The foregoing risks do not purport to be a complete explanation of all the risks involved in acquiring an interest in a Fund. Potential investors are urged to read all relevant Offering Documents before determining whether to invest in a Fund.

**C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

**Material Risks – SBIC Program**

As noted above, LNC has qualified to sponsor SBIC Funds, organized to invest in the debt and equity of growth-oriented companies qualifying as “**small businesses**” under SBA regulations. The risks outlined below relate to the SBIC Program.

**Use of Debenture Leverage.** If it receives its SBIC license, a Fund generally will make debt investments in U.S. small businesses within the meaning of SBA regulations and expects to utilize debenture leverage. The use of debenture leverage by a Fund will increase both the potential for gain on, and the potential for loss of, a limited partner's investment in a Fund. The ability of limited partners to realize a gain on their investment is, to a significant degree, a function of the ability of a Fund to meet interest payments on drawn debenture leverage and to pay the remaining principal at the end of the 10-year life of each debenture leverage instrument. In addition, the greater volatility, due to the use of debenture leverage, of gain or loss realized by limited partners on a Fund's investments may magnify the incentive of its general partner to pursue riskier investments with greater potential for gain than might otherwise be the case. If, at the end of a Fund's term, amounts to which the SBA is entitled have not been paid in full, the SBA will generally be able to require a Fund to call any remaining unfunded commitment of its limited partners for purposes of making these payments to the SBA.

**Possible Limitations on Available Debenture Leverage.** Although Congress has grown the amount of funds available as debenture leverage to debenture SBICs, there can be no assurance that the debenture SBIC program will be maintained at current levels.

**Possible Changes to Regulatory Scheme.** Congress may amend or supplement governing regulation, and the SBA may amend or supplement its regulations, in a manner that imposes additional regulatory burdens upon or otherwise adversely affects a Fund.

Additionally, the SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of LNC and the Funds. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to impact LNC and its affiliates, the Funds

and/or their investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Funds. There can be no assurance that any new regulation will not have an adverse impact on Fund activities, including the ability of LNC and the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategy or achieve their investment objectives.

**Limitations on Distributions.** Pursuant to SBA regulations, an SBIC with outstanding debentures may distribute cumulative realized profits (less unrealized losses on investments, and expenses – “Retained Earnings Available for Distribution”) to its investors, but it may not return more than 2% of its outstanding private capital to investors in any fiscal year without the SBA’s prior approval, subject to limited exceptions. These limits on distributions may result in investors in a Fund receiving “phantom income” on which taxes may be due.

**Investment Limitations.** SBA regulations place restrictions on the companies in which an SBIC can invest and on certain terms of investments by SBICs, thereby restricting the companies in which a Fund may invest and potentially adversely affecting the returns on investments by a Fund. Please review Fund documents for additional information on these limitations.

**Other SBIC Related Risks.** The SBA has significant ability to supervise and regulate many critical aspects of the affairs of an SBIC. The SBA imposes greater restrictions on the portfolio of an SBIC than would generally be the case for an unregulated private equity fund. Certain activities and decisions require SBA approval, and there are uncertain timeframes for such approvals. In the event of an SBA-imposed liquidation of a Fund pursuant to the SBIC Act, the SBA’s interest shall be senior in priority for all purposes to all other interests, including the interests of the limited partners. A Fund will be subject to regulations under the SBIC Act, which may change during the life of the Fund in ways that might require it to alter its business activities. As an SBIC, a Fund will be subject to regulations that provide the SBA with a series of remedies for regulatory violations. The remedies are graduated in severity depending on the seriousness of the Fund’s negative financial condition or its misconduct, and may include the removal of the general partner, the appointment of a receiver, and the operation and liquidation of a Fund by the SBA.

### **Material Risks – Continuation Funds**

**General.** LNC could, subject to the requirements of the Offering Documents, from time to time establish other investment vehicles for the purpose of purchasing one or more investments from a Fund (sometimes, but not always, where the selling Fund is approaching the end of its term) in connection with, or alongside another Fund making an investment (such vehicles, “**Continuation Funds**” and such transactions, “**Continuation Transactions**”). In such circumstances, LNC is acting on behalf of, and making the investment decision for, both a Fund and the applicable Continuation Fund. As a result, Continuation Transactions implicate conflicts of interest between the Fund and the Continuation Fund as described below in *Item 11*. Further, because LNC and/or its affiliates will have the opportunity to earn additional Management Fees and/or receive additional Carried Interest and other benefits in respect of such Continuation Transactions, and because each purchaser’s commitment to acquire interests in a Continuation Fund will ordinarily be conditioned upon completion of the Continuation Transaction, LNC will have a potential conflict of interest in determining transaction terms and participants. While certain conflicts of

interest related to Continuation Transactions often require approval by the Limited Partner Advisory Committee of a Fund, certain transactions may be able to be completed at the initiation of the Firm without any such approval.

**Tax Consequences.** An investment in a Continuation Fund involves complex tax considerations that may differ for each Fund investor. Many factors may affect the tax consequences to a particular Fund investor of an investment in a Continuation Fund (including whether an investment in such Fund results in any tax filing obligations for Fund investors). Such factors include, without limitation, the tax profile and other particular circumstances of the investor, and the structure and jurisdiction of the Continuation Fund's investments. Further, there may be tax law changes (possibly with retroactive effect) during (and after) the life of a Continuation Fund that affect such tax consequences. There can be no assurance that the structure of any investment will be tax efficient for any particular investor, that any particular tax result will be achieved, or that the Continuation Fund will make annual distributions to each investor in the amount necessary for the investor to pay all tax liabilities resulting from the investor's ownership of an interest in the Fund.

## **ITEM 9: DISCIPLINARY INFORMATION**

**If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

Like other registered investment advisers, LNC is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of LNC or the integrity of its management. LNC is not aware of any legal or disciplinary events that would be material to an investor's evaluation of LNC or the integrity of its management.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither LNC nor any management person is registered or has an application pending to register, as a securities broker-dealer or registered representative of a broker-dealer.

**B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities, disclose this fact.**

Neither LNC nor any management person is registered or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of the foregoing entities. If applicable, the Firm is expected to operate pursuant to an exemption from registration with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator under CFTC Rule 4.13(a)(3).



- C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with defined related persons. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

### **Material Relationships or Arrangements with Industry Participants**

LNC generally forms affiliated general partners or managing members for each Fund or separate investment vehicles and other affiliates that provide advisory services to and/or receive advisory fees from the Funds. These affiliates are formed for tax, regulatory or other purposes in connection with the organization of the Funds.

The Funds enter into agreements, or “**side letters**,” with certain investors whereby such investors are in certain cases subject to terms and conditions that are more advantageous than those set forth in the relevant Offering Documents. The modifications are solely at the discretion of LNC and are usually based on an investor’s regulatory requirements, size of investment in a Fund, an agreement by an investor to maintain such investment in a Fund for a significant period of time, or other similar commitment by Fund investor.

### **Board Participation**

LNC’s investment professionals have served and will serve as directors of other private or public companies and also serve as directors or board observers of companies in which a Fund invests. As a director of a company, an investment professional owes a fiduciary duty to the company. Board participation places an LNC investment professional in a position where they must make a decision that is not in the best interests of a Fund. Investment professionals serving as directors or board observers at times receive non-public information as a result of their duties and such knowledge may restrict a Fund’s ability to buy or sell securities of the relevant company. LNC does not expect the Funds to purchase the securities of public companies except as the result of a private company making an initial public offering. LNC looks to Offering Documents and its compliance policies and procedures to mitigate any conflicts related to board participation.

### **Limited Partner Advisory Committee**

The Limited Partner Advisory Committee (“**LPAC**”) consists of limited partner investors. LNC engages the LPAC to support the Fund’s efforts, enhancing the investment process with their expertise, sourcing network, deep due diligence, and portfolio support capabilities.

Pursuant to the terms of the Offering Documents, all limited partners are bound by the determinations of the LPAC, regardless of whether a limited partner is represented by a member of the LPAC. The general partner retains ultimate responsibility for all decisions relating to the operation and management of the applicable Fund.

A Fund’s LPAC may not have the same interests as all limited partners. An LPAC member may consider the interests of the limited partner it represents over the interests of the limited partners as a whole when voting or consenting to any matter submitted to the LPAC. No LPAC member

owes any fiduciary duties to the Fund or any other partner. Members of the LPAC may have various business and other relationships with the Firm and its members, partners, managers, directors, officers, employees, and affiliates which relationships may influence their decisions as members of the LPAC. If a limited partner is not represented by a member of the LPAC, such limited partner will have no influence over matters submitted to the LPAC for review or approval. Furthermore, the Fund's LPAC members cannot be expected to be expert in investing, and certain of its determinations may, in fact, adversely affect the performance of the Fund. A Fund will also indemnify members of its LPAC for any losses or damages incurred in connection with serving on the LPAC so long as such losses or damages did not result from such member's fraud.

### **Portfolio Company Interactions**

Portfolio companies of one or more Funds may, from time to time, provide products and services to the portfolio companies of one or more other Funds. Such arrangements may not have otherwise been entered into but for the affiliation with LNC. To mitigate any conflict of interest between the Funds, portfolio company management teams are expected to select service provider counterparties based on their respective capabilities and on an arm's-length basis without undue influence from LNC. While the use of any such products or services by a Fund portfolio company would be voluntary, a Fund portfolio company could nevertheless feel conflicted in their choice of providers and might select the portfolio company of a Fund when there are better or cheaper products or services offered by unrelated companies.

### **Leeds Equity Advisors, Inc.**

Leeds Equity Advisors, Inc., doing business as Leeds Equity Partners also advises LNC's predecessor Funds, pursuant to an investment management agreement entered into by the general partner on behalf of each such Fund. Leeds Equity Partners is a Delaware S Corporation owned and controlled by Jeffrey T. Leeds.

- D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices, and discuss the material conflicts of interest these practices create and how you address them.**

LNC does not recommend or select other investment advisers for clients.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

- A. If you are an SEC-registered adviser, briefly describe your Code of Ethics adopted pursuant to SEC Rule 204A-1 or similar state rules. Explain that you will provide a copy of your Code of Ethics to any client or prospective client upon request.**

LNC values investor trust and places its fiduciary responsibilities to the Funds and investors first and foremost in all aspects of its business. In accordance with Rule 204A-1 under the Advisers Act, LNC has adopted a code of ethics (the "Code of Ethics"). The Code of Ethics outlines a high

standard of business conduct and reinforces each employee's role in discharging his fiduciary duty to the Funds and investors. The Code of Ethics sets forth standards of conduct expected of LNC's employees, reflects fiduciary standards, and addresses conflicts that may arise from personal trading, gifts and entertainment, and outside business activities, among others. LNC is committed to maintaining the confidentiality, integrity, and security of investors' non-public personal information and adheres to high standards to safeguard such information.

### **Standards of Conduct**

LNC's standards of conduct are designed to ensure that investors, employees, and its business is protected from unethical and unprofessional conduct, guided by policies which:

- Monitor, and where applicable, disclose outside business activities of employees
- Restrict employee political activity
- Seek to protect confidential information
- Prohibit dealings with parties sanctioned by the Office of Foreign Assets Control
- Facilitate compliance with federal and state securities statutes

### **Personal Trading**

Employees are permitted to maintain personal securities accounts if personal investing practices are consistent with fiduciary standards and regulatory requirements, and do not conflict with their duty to LNC and its investors. LNC monitors and controls personal trading through:

- Receipt and review of personal securities holdings and transaction reports
- Pre-approval of initial public offerings, limited offerings, and private placements
- Implementation of a restricted list of securities in which employees are not permitted to trade or must receive pre-approval to trade

### **Insider Trading Prevention**

LNC prohibits any employee from illegally acting on, misusing, or disclosing any material non-public information, also known as "**inside information**." LNC monitors risks associated with inside information by:

- Providing periodic employee education
- Authorizing and monitoring employee service on boards of public companies
- Monitoring personal trading of employees and certain household members
- Maintaining a compliance program to guide employee activity

A copy of LNC's Code of Ethics is available to any current or prospective investor by contacting us at (703) 651-2150.

- B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice, and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

### **Participation or Interest in Client Transactions**

Through the limited partnership structure, LNC's affiliates have indirect beneficial interests in the securities owned by the Funds and will share in any profits and losses generated by Fund investments. In certain situations, related persons of LNC invest in the Funds through the general partner established to facilitate employee compensation programs for qualified employees.

Personnel are only permitted to participate in authorizations to buy or sell a Fund security if their only interest in the security is: (i) held indirectly through one of the general partner entities, the Funds, a Feeder Fund, or otherwise; or (ii) related to service as a director or board observer of a portfolio company to facilitate LNC's ability to monitor Fund investments in the portfolio company. These activities are subject to the Firm's compliance policies and Code of Ethics.

### **Conflicts of Interest**

LNC will always endeavor to act in the best interest of the Funds; however, investors should be aware that LNC's and the general partner's receipt of compensation from the Funds creates a potential conflict of interest with respect to such transactions. These and other operating relationships have the potential for creating conflicts of interest.

In the ordinary course of conducting its investment advisory activities, the interests of a Fund can conflict with the interests of LNC, other Funds, or their respective affiliates. Certain of these conflicts of interest, as well as a summary of how LNC addresses such conflicts of interest, can be found below. Other conflicts are disclosed throughout this Brochure and applicable Offering Documents.

### **Resolution of Conflicts**

In the case of all conflicts of interest, LNC's determination as to which factors are relevant, and the resolution of such conflicts, is made using LNC's best judgment, but in its sole discretion. In resolving conflicts, LNC considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Many important conflicts of interest will generally be disclosed in and resolved by defined procedures, restrictions or other provisions contained in Offering Documents. As noted above, each Fund has established an LPAC, consisting of representatives of investors not affiliated with LNC, to evaluate conflicts and their resolutions. LNC maintains written policies and procedures within its Compliance Manual and Code of Ethics to further govern and mitigate conflicts.

### **Management of the Funds**

LNC is responsible for managing all of the Funds. Conflicts of interest arise in allocating time, services, or functions of personnel. To mitigate such conflicts, the Offering Documents generally limit and describe when LNC can fundraise for a new fund.

### **Invested Capital Fee Structure**

Because there is expected to be a fixed investment period after which capital from investors in the Funds will only be drawn down in limited circumstances and because Management Fees will, at certain times during the life of the Funds, be based upon capital invested by the Funds, such fee structure could create an incentive to deploy capital when LNC would not otherwise have done so.

### **Allocation of Investment Opportunities Among Funds**

Typically, LNC invests out of one Fund at a time. Investment opportunities are at times available to and appropriate for more than a single Fund. LNC seeks to reduce the risk of any inequitable allocation of investment opportunities by implementing investment allocation and sharing guidelines. However, LNC cannot anticipate all possible investment structures that may be required during the life of a Fund and certain investment structures are not contemplated in Offering Documents. In such cases, LNC will seek to allocate such opportunities on an equitable basis using its best judgment and in its sole discretion. The applicable LPAC(s) will be consulted as required by Offering Documents.

### **Allocation of Co-Investment Opportunities**

LNC will at times offer to investors in the Funds or other unrelated third parties the ability to co-invest in an investment alongside a Fund. Co-investment opportunities typically arise due to size of an investment or desire for a co-investor based on strategic considerations including, but not limited to, relevant knowledge of an industry, geographic region or contacts with prospective managers, board members or advisors. LNC considers whether offering a co-investment would pose a conflict with a Fund before making any investment available to such potential co-investors.

Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the investing Fund, and because co-invest opportunities generally appeal to Fund investors and third parties, LNC expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund.

In the event LNC determines to offer a co-investment opportunity, there can be no assurance that LNC will be successful in offering such co-investment opportunity, in whole or in part, that the closing of such co-investment is consummated in a timely manner or that the co-investment will take place on the terms and conditions that are preferable for the Fund. In the event that LNC is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, the Fund could consequently hold a greater concentration than was initially intended, experience delays in the investment process, and/or lose, or cause the Fund to renegotiate, the investment opportunity, each of which could result in less favorable terms or economics for the Fund.

Due in part to the fact that investors and potential investors in a Fund or a co-investor often ask different questions and request different information (for example in side letters), LNC will at times provide certain information to one or more prospective investors that it has not provided to all investors or prospective investors.

### **Follow-on Investments**

A follow-on investment in an existing portfolio company could present a conflict of interest, such as with respect to a determination of terms or the allocation of the investment opportunity to different Funds. To manage this conflict, a follow-on investment opportunity in an existing portfolio company generally will first be considered as an opportunity for the Fund that has an existing investment in that company. If more than one Fund has an existing investment in the portfolio company, the follow-on opportunity will first be considered as an opportunity for those Funds, in proportion to their pre-existing investments in the portfolio company. However, LNC could determine that a non-pro rata follow-on investment is appropriate (for example, because one of the Funds does not have enough unreserved capital left to invest or would exceed certain limitations in the Offering Documents if it were to invest its pro rata amount). If, after LNC has determined how much to invest for the Funds with priority on such opportunity, there is an additional amount potentially available in respect of such opportunity, LNC will consider that remaining amount for other Funds that are then making new investments, subject to any applicable provisions of the Offering Documents.

### **Allocation of Personnel**

The general partner and its affiliates will devote such time as shall be necessary to conduct the business affairs of a given Fund in an appropriate manner. LNC's personnel will work on other projects, including multiple Funds and their portfolio investments, and possibly other vehicles contemplated herein and in Offering Documents. Such personnel will also serve as members of the boards of directors of various companies other than portfolio companies. Conflicts may arise as a result of such other activities. The possibility exists that such companies could engage in transactions which would be suitable for a Fund, but in which a Fund might be unable to invest.

### **Affiliated Transactions**

If a Fund enters into a principal transaction, it will only do so in accordance with all of the requirements of Offering Documents and the Advisers Act and will obtain the required prior consent to the transaction from the relevant Fund investors, the SBA with respect to the SBIC funds and/or LPAC.

### **Business with Portfolio Companies and Investors**

There may be situations in which LNC is in the position of recommending portfolio company services to other portfolio companies in the same or other Funds or recommending that portfolio companies collaborate for business purposes. LNC would have a conflict of interest in making such recommendations, in that LNC has an incentive 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 to the portfolio companies held by the Funds. The benefits received by a portfolio company providing a service can at times be greater than those received by the applicable Funds and its portfolio companies receiving the service. Relative to collaborative opportunities, one portfolio company could benefit more than another. In certain instances, a Fund's portfolio company will compete with another Fund's portfolio company. A conflict of interest arises in these instances to the extent that advice and

recommendations provided by LNC to a portfolio company have adverse consequences for a competitor portfolio company owned by another Fund.

### **Diverse Investor Groups**

Limited partners may have conflicting investment, tax and other interests with respect to their investments in a given Fund. The conflicting interests of individual limited partners may relate to or arise from, among other things, the nature of portfolio investments made by a Fund, the structuring or the acquisition of portfolio investments and the timing of disposition of portfolio investments. As a consequence, conflicts of interest may arise in connection with the decisions made by the general partner or LNC, including with respect to the nature or structuring of portfolio investments that may be more beneficial for one limited partner than for another limited partner, especially with respect to limited partners' individual tax situations. In addition, a Fund may make portfolio investments which have a negative impact on related investments made by the limited partners in separate transactions. In selecting and structuring portfolio investments appropriate for a Fund, the general partner will generally consider the investment and tax objectives of the Fund and its limited partners as a whole, and not the investment, tax or other objectives of any limited partner individually.

### **Side Letter Agreements**

LNC enters into certain side letter arrangements with certain investors in a Fund which provides, in certain cases, such investors with different or preferential rights or terms, including but not limited to information rights, acknowledgement that an investor is interested in co-investments, and internal transfer rights (such as an agreement to make internal investor restructurings less burdensome for such investor) where specifically permitted by and disclosed in Offering Documents.

### **Continuation Funds**

As discussed above, LNC has established a Continuation Fund. The affiliated nature of Continuation Transactions and LNC's involvement with both the selling and purchasing entities give rise to conflicts of interests. In addition, following a Continuation Transaction, LNC will be entitled to receive Management Fees and Carried Interest with respect to the purchasing Fund, which it would not receive if the investments were sold to an unrelated third-party. Accordingly, Continuation Transactions benefit LNC because due to the potential to receive an aggregate amount of fees and Carried Interest greater than it otherwise would have received in a sale transaction to an unrelated third-party. A Continuation Transaction also gives rise to conflicts relating to the initial allocation of the transferred investments. The selling Fund's investment can be subject to allocations elected by rollover investors in the selling Fund, as well as certain minimum allocation requirements, each of which will reduce the portion of an investment available to a purchasing Fund. As a result, a purchasing Fund can be allocated a smaller or larger amount of an investment than LNC originally anticipated. Further, in some cases there will be no other bidding process involved in a Continuation Transaction. Accordingly, the consideration paid by a purchasing Fund has the potential to be more or less than what the transferred investments are

ultimately worth had they been sold to one or more other buyers in one or more separate transactions, including an outright sale to a third-party.

**LNC Interests Divergent from Selling, Rolling, and New Investor Interests.** In connection with consummation of any Continuation Transaction, LNC will have decision-making authority over general partners of the selling Fund and Continuation Fund and will receive certain economics which will be different from those which limited partners will be entitled to receive. These arrangements will be set forth in applicable Offering Documents but will include distributions to the general partner of a Continuation Fund of a carried interest. Furthermore, the selling Fund's general person and certain other persons will generally be entitled to indemnification in accordance with Offering Documents.

**General Partner, Rolling Investors and New Investors may have Conflicting Interests in Continuation Fund.** The general partner and new Continuation Fund investors have interests that differ from and/or are in addition to the interests of rolling investors, which may give rise to potential conflicts of interest, including (a) the right to receive Management Fees, (b) the right to receive enhanced carried interest distributions from the Continuation Fund, and (c) the right to indemnification under Continuation Fund Offering Documents.

Additionally, Continuation Fund rolling investors and new investors may have conflicting investment, tax and other interests with respect to their investments in the Continuation Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by LNC regarding follow-on investments that may be more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the general partner of the Continuation Fund generally will consider the investment and tax objectives of the Continuation Fund and its partners as a whole, not the investment, tax or other objectives of any limited partner or group of limited partners individually. Additionally, Continuation Fund Offering Documents will contain different governance provisions than the current terms of the Fund Offering Documents governing the predecessor Fund.

### **Other Potential Conflicts**

LNC and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there are conflicts of interest. Members of the law firms engaged to represent the Funds in some cases also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, LNC and/or its affiliates, the parties are expected to engage separate counsel while in litigation and other circumstances, separate representation is required.

- C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options, or futures) that you or a related person recommends to clients, describe your practice, and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

See *Item 11B* above.



- D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice, and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

See *Item 11B* above.

## **ITEM 12: BROKERAGE PRACTICES**

- A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**

Typically, the purchase or sale of an investment will involve a privately negotiated transaction with the issuer, prospective seller, or prospective purchaser(s) of the security, and generally will not involve the services of a traditional broker or dealer as is customary in the transaction of registered securities. LNC seeks to negotiate and execute transactions in compliance with the Offering Documents of a Fund, its fiduciary duty to a Fund and investors, and its compliance policies and procedures. LNC and the Funds will generally not take a controlling ownership position within a portfolio investment, and therefore will not be in a position to control the timing or nature of an investment's exit.

With regard to the purchase and sale of certain portfolio companies, however, it may be necessary for LNC to engage a broker, dealer, investment bank, or other intermediary to ensure that a transaction is closed in a manner most advantageous to a Fund. When executing portfolio transactions using an intermediary, LNC will seek the best overall execution terms available to close the deal expeditiously and on terms most favorable to investors.

In assessing the best overall terms available for a transaction, the full range and quality of an intermediary's services are considered, including execution capability, experience in venture capital and private equity transactions, network of contacts and relationships, fees (or their equivalents), reputation and integrity, and financial responsibility. Intermediary arrangements are guided by contractual agreements in part to protect the integrity and confidentiality of Fund investment activity and to seek assurances as to the proper qualifications of such intermediaries.

If an LNC Fund receives ownership interests in a public security due to an initial public offering or other liquidity event specific to an investment, LNC retains discretion to use its best efforts to dispose of such public security in accordance with its fiduciary duty and compliance policies in force at such time.

- 1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.**

LNC does not engage in soft dollar arrangements, which are a means of paying brokerage firms for their services through commission revenue rather than by direct hard dollar payments. LNC may receive general unsolicited research from certain market intermediaries or investment banks specializing in private equity and venture capital investments but has no contractual obligation to compensate or do business with such research providers.

**2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

LNC does not receive investor referrals from broker-dealers, or third parties utilized to arrange Fund investments.

**3. Directed Brokerage. If you routinely recommend, request, or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. If you permit a client to direct brokerage, describe your practice.**

LNC does not engage in directed brokerage arrangements.

**B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

**Allocation and Aggregation of Transactions**

If an investment opportunity is deemed suitable for more than one Fund, LNC will allocate the investment on a fair and equitable basis, consistent with the applicable Fund Offering Documents, compliance policies and procedures, and fiduciary duty. Portfolio investments will generally be allocated across eligible Funds on a *pro rata* basis, with exceptions based on applicable investment objectives, strategies, and other guidelines. When the investment period of a Fund has expired, with the exception of certain follow-on investments to existing portfolio company positions and investments committed to prior to the end of the investment period, a Fund will generally not engage in new acquisition transactions. LNC's investment discretion to allocate investment opportunities is exercised in accordance with the Offering Documents of applicable Funds.

Under its investment allocation policies, LNC considers certain criteria, including, among others: (i) Fund objectives; (ii) Fund size and available investment capital; (iii) Fund diversification guidelines; (iv) size, nature, and timing of the investment opportunity; and (v) current and anticipated market conditions.

**Conflicts of Interest - Allocation of Investment Opportunities**

A conflict of interest may arise relative to the allocation of investment opportunities. For example, if a successor Fund is considering a portfolio company investment during the investment period

of a predecessor Fund, or if an investment is to be made by a successor Fund in a security that constitutes a follow-on investment for the predecessor Fund, a conflict of interest will likely arise. A conflict may also arise when different Funds with different investment objectives have common investment interests in a particular prospective portfolio company or group of companies.

A conflict of interest arises when one or more LNC Managing Partners maintain an ownership stake in an investment that is also owned by a Fund. In such situations, LNC will rely upon full disclosure, and where necessary, Fund consent before transacting.

### **Other Conflicts of Interest**

During a Fund's term, many different types of conflicts of interest, some of which are outlined below, may arise and this Brochure does not purport to identify all such conflicts. Fund investors ultimately will be heavily dependent upon the good faith of LNC and its affiliates to carefully identify and manage conflicts in accordance with fiduciary precepts.

### ***Valuation***

Asset/portfolio valuation represents a conflict of interest for LNC. Valuations are inherently subjective as there is no public exchange for private investments or for the trading of limited partnership interests in a Fund. The process of valuing assets for which reliable market quotations are not available requires the Firm to rely on various valuation inputs which may result in significant fluctuations in portfolio company valuations. LNC cannot fully mitigate the conflicts and risks inherent in the valuation process but seeks to mitigate these conflicts and risks through its investment process and consistently adhering to the Firm's valuation policy.

### ***Directors' Fees***

LNC or its Managing Partner(s) may receive director's fees, consulting fees, or similar compensation from portfolio companies or a Fund. While such fees may in some cases trigger a "Management Fee offset" under Offering Documents or governing agreements, there is no assurance that a Fund will economically benefit from any particular portfolio company fees received by LNC or its Managing Partners.

## **ITEM 13: REVIEW OF ACCOUNTS**

- A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

Fund investments are monitored by the Firm or general partner on an ongoing basis. Fund investments are private, illiquid, and long term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. Managing Partners continuously evaluate potential new platform investments, add-on acquisitions, and exit opportunities.

- B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

As noted above, Fund reviews occur continuously. When investing in portfolio companies, one or more Managing Partners of LNC may serve on portfolio company boards of directors or otherwise act to influence the management of these companies until the investment is exited.

A Fund's LPAC, if applicable, may participate in the Fund review process, as follows: (i) review portfolio investments on an annual basis; (ii) review and advise the general partner on such additional matters relating to the conduct of follow-on investment activities that the general partner may decide, in its sole discretion, to refer to the LPAC and such other matters as the general partner and the LPAC deem appropriate; (iii) consult with the general partner with respect to any proposed action that would give rise to a conflict of interest involving the Fund, and the general partner or any of its affiliates as determined by the general partner in its reasonable, good faith judgment; and (iv) provide advice on such other matters as may be submitted to the LPAC from time to time by the general partner. Members of the LPAC shall be entitled to reimbursement for their reasonable travel and other out-of-pocket expenses in connection with the performance of their duties as members of the LPAC.

Pursuant to the terms of the Offering Documents, all limited partners are bound by the determinations of the LPAC, regardless of whether a limited partner is represented by a member of the LPAC. LNC retains ultimate responsibility for all decisions relating to the operation and management of the applicable Fund.

**C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

The Fund will provide to Fund investors: (i) audited annual Fund financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"); (ii) quarterly unaudited reports summarizing the activities and investments of the Fund; and (iii) information reasonably required by Fund investors to file their tax returns. As required by the Advisers Act, audited financial statements of a Fund are issued promptly following the completion of an audit in connection with the liquidation of a Fund.

Under rules set forth in applicable Offering Documents, LNC may edit such reports to protect the confidentiality of highly sensitive information and, as applicable, to comply with the terms of any agreement with a portfolio company.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

**A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

As noted above, LNC or its Managing Partner(s), either directly or indirectly through its affiliates, will receive compensation from certain portfolio companies in connection with consulting services provided to such companies, otherwise known as Affiliate Fees. LNC may also be eligible to receive fees and other compensation, such as breakup fees, from transactions not consummated by

a Fund in connection with a Fund's proposed investment in such transactions. As described more fully in a Fund's Offering Documents and in previous sections of this Brochure, such fees and other compensation are subject to offsets against Management Fees, where applicable.

**B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

LNC does not compensate any third party for investor referrals at this time.

Should LNC decide to engage a placement agent in the future, a legal agreement between parties would be executed to guide the terms of engagement which would include among other requirements that the placement agent abide by federal securities statutes in discharging activities on behalf of LNC. A Fund investor will not bear any additional charges as a result of an introduction through a placement agent or other unaffiliated third party. All referred investors would be carefully screened to ensure that the LNC Fund(s) is suitable to the prospective investor's investment needs, objectives and risk tolerance before any subscription is accepted.

## **ITEM 15: CUSTODY**

**If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

Custody occurs when an adviser or related person directly or indirectly holds client funds or securities or has the ability to gain possession of them. LNC is deemed to have custody of the assets of each Fund within the meaning of the Advisers Act due to its affiliation with the general partner of each Fund. The Funds are privately offered limited partnerships and following SEC registration in accordance with the Custody Rule, will be subject to an annual audit by a Public Company Accounting Oversight Board ("PCAOB") registered and inspected independent accounting firm in accordance with Rule 206(4)-2 under the Advisers Act. The audited financial statements of each Fund are prepared in accordance with GAAP and distributed to Fund investors within 120 days of the Fund's fiscal year end as required by the custody rule and Offering Documents. Investors should review these audited financial statements carefully.

Any alternative investment vehicle formed to facilitate a portfolio investment in a Fund for special tax or regulatory reasons is also subject to an annual audit by a PCAOB registered and inspected independent accounting firm in accordance with the Advisers Act. Upon the final liquidation of a Fund, LNC will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to all investors promptly after completion of the audit.

## ITEM 16: INVESTMENT DISCRETION

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

As discussed above in *Item 4*, LNC provides investment advisory services to each Fund on a discretionary basis. The limitations imposed on its investment discretion are established through negotiations with the investors in each Fund and/or its general partner. These limitations, which are negotiated on a case-by-case basis and will vary from time to time, are incorporated into each Fund's Offering Documents. In the case of Funds whose investment periods have passed, LNC's investment discretion will be limited to certain follow-on investments and the liquidation of existing portfolio company positions.

## ITEM 17: VOTING CLIENT SECURITIES

**A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

The Funds are generally active investors in their respective portfolio companies. LNC seeks to have a representative at the board of directors of the portfolio company, acting as a director or board observer. In addition, the Funds intend to stay closely involved with the investments as shareholders or debtholders. When applicable, LNC reviews and votes on proxy and shareholder consent matters on a case-by-case basis. LNC stays apprised of developments that affect a portfolio company in which a Fund invests, carefully reviews matters submitted for a vote as holders of portfolio company securities and if the Firm maintains voting rights, will vote on those matters on a case-by-case basis in a manner that LNC believes is in the best interests of the investing Fund.

LNC in some cases retains approval rights for certain portfolio company actions and will exercise such rights in a manner that it believes is in the best interests of the investing Fund.

LNC believes its interests are aligned with Fund investors through the general partner's ownership or debtholder interests in the Fund and therefore does not generally seek investor approval or direction when voting proxies. If, however, there is or may be a conflict of interest between the general partner and the Fund in voting proxies, LNC is permitted to address the conflict using several alternatives, to include seeking counsel of the respective LPAC on the proposed proxy vote or through alternatives set forth in proxy policies or Offering Documents.

Investors may obtain information about how a proxy was voted and/or obtain a copy of the proxy voting policies and procedures by contacting us at (703) 651-2150.

- B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

See *Item 17A* above.

#### **ITEM 18: FINANCIAL INFORMATION**

- A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.**

LNC does not require or solicit prepayment of advisory fees six months or more in advance.

- B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

LNC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Funds or investors.

- C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

LNC has not been the subject of a bankruptcy or insolvency proceeding.

#### **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.