

**Item 1: Cover Page**

**Lexington Partners L.P.**

**Form ADV Part 2A**

399 PARK AVENUE, 20<sup>TH</sup> FLOOR  
NEW YORK, NEW YORK 10022  
TELEPHONE: (212) 754-0411  
EMAIL: [INFO@LEXPARTNERS.COM](mailto:INFO@LEXPARTNERS.COM)  
[WWW.LEXINGTONPARTNERS.COM](http://WWW.LEXINGTONPARTNERS.COM)

**December 22, 2023**

**This brochure provides information about the qualifications and business practices of Lexington Partners L.P. (“Lexington”). If you have any questions about the contents of this brochure, please contact us at (212) 754-0411 or via email at [info@lexpartners.com](mailto:info@lexpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Lexington is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link “Investment Adviser Search”, select “Firm” and type in “Lexington Partners L.P.”). The search results will provide you with both Parts 1 and 2A of our Form ADV.**

**REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT LEXINGTON OR ANY OF THE PRINCIPALS OR EMPLOYEES OF LEXINGTON POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY BUSINESS OR ANY OTHER BUSINESS.**

## **Item 2: Material Changes**

This section of the brochure will discuss only specific material changes that have been made since Lexington filed its last annual update to the brochure, dated December 22, 2022. Updates made since Lexington's last annual update include, but are not limited to:

- Updates and additions to the risk factors included in Item 8: Methods of Analysis, Investment Strategies and Risk of Loss;
- Certain updates to the description of conflicts in Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading; and
- Certain updates to the description of the business practices of Lexington and its affiliates.

### **Item 3: Table of Contents**

	<b>Page</b>
ITEM 2: MATERIAL CHANGES .....	2
ITEM 3: TABLE OF CONTENTS.....	3
ITEM 4: ADVISORY BUSINESS .....	4
ITEM 5: FEES AND COMPENSATION .....	6
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT...	11
ITEM 7: TYPES OF CLIENTS.....	12
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	13
ITEM 9: DISCIPLINARY INFORMATION.....	43
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS....	43
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	46
ITEM 12: BROKERAGE PRACTICES.....	54
ITEM 13: REVIEW OF ACCOUNTS .....	55
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	55
ITEM 15: CUSTODY .....	56
ITEM 16: INVESTMENT DISCRETION .....	56
ITEM 17: VOTING CLIENT SECURITIES .....	57
ITEM 18: FINANCIAL INFORMATION .....	58

#### **Item 4: Advisory Business**

The Lexington Partners organization was founded in 1994 and is one of the largest managers of secondary private equity and co-investment funds. Lexington Partners L.P., a Delaware limited partnership, is a registered investment adviser which has been in business since March 19, 2008. For purposes of this brochure, “Lexington” includes (where the context permits) affiliated general partners of the Lexington Funds (as defined below) and other affiliates that provide or may provide advisory services to the Lexington Funds but, for the avoidance of doubt, does not include Franklin Templeton (as defined below).

Effective April 1, 2022, Franklin Resources, Inc. (together with its affiliates (but excluding Lexington), “Franklin Templeton”) acquired 100% of the equity in Lexington Partners L.P. (the “FT Transaction”). Franklin Resources, Inc.’s common stock is traded on the New York Stock Exchange under the ticker symbol “BEN.” In addition, Lexington partners and employees hold a 25% profit interest in Lexington Partners L.P. indirectly through Lexington Partners MIP L.P., which is a limited partner of Lexington Partners L.P. Franklin Templeton has agreed to irrevocably delegate the authority to manage the day-to-day business and affairs of Lexington to the Lexington Operating Committee, currently composed of Lexington’s President and Chief Financial Officer, until the fifth anniversary of the closing of the FT Transaction, subject to limited exceptions. However, Franklin Templeton has sole ultimate control of Lexington Partners L.P. (including Lexington and the Lexington Funds) and may, under certain circumstances, terminate the employment of any or all of the current personnel of Lexington.

Lexington and/or its affiliates provide financial, investment and portfolio analysis services as required for the benefit of Lexington’s “secondary” private equity funds, co-investment funds and managed accounts (collectively, the “Lexington Funds”) whose securities are not registered under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the “Securities Act”). Lexington’s primary investment focus on behalf of the Lexington Funds is to seek capital appreciation by acquiring diversified portfolios of private investment fund interests (generally through secondary market purchases) and, in certain circumstances, privately held portfolio company interests, and holding and realizing upon such interests. Lexington also advises the Lexington Funds with respect to making “primary market” commitments to private investment funds that have recently been formed or are otherwise still fundraising, and participating in co-investment transactions that are sponsored by managers or general partners of private investment funds and/or other associated management teams. The Lexington Funds generally seek capital appreciation through investments in private investment funds and privately held portfolio companies, but also make investments from time to time in publicly traded securities.

Lexington tailors its advisory services to the specific investment objectives and restrictions of each Lexington Fund pursuant to the investment guidelines and restrictions set forth in such Lexington Fund’s confidential private placement memorandum, limited partnership agreement, advisory agreement and other governing documents (collectively, the “Governing Documents”). Investors of each Lexington Fund (generally referred to herein as “investors,” “partners” or “limited partners”) should refer to the Governing Documents of such Lexington Fund for complete information on the investment objectives and investment restrictions with

respect to such Lexington Fund. Investment advice is provided directly to the Lexington Funds, subject to the discretion and control of the general partner of the relevant Lexington Fund, and not individually to the investors in the Lexington Funds. There can be no assurance that any of the Lexington Funds' investment objectives will be achieved.

The Lexington Funds are offered exclusively to accredited investors and/or qualified purchasers and are eligible to rely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "Company Act"). Therefore, the Lexington Funds are not required to register as investment companies under the Company Act in reliance upon certain exceptions applicable to private investment funds whose securities are not publicly offered. A related entity of Lexington generally acts as general partner of each Lexington Fund, and Lexington or its affiliate Lexington Advisors LLC (which is also an SEC-registered investment adviser) is the investment adviser of each Lexington Fund. Investment advisory services are provided to the Lexington Funds in accordance with the Governing Documents of the applicable Lexington Fund.

Lexington expects to provide from time to time specific portfolio management services to certain private investment funds that are managed by an alternative investment fund manager (whether affiliated or unaffiliated with Lexington) for the purposes of the Alternative Investment Fund Managers Directive (the "Directive").

In accordance with common industry practice, one or more of the Lexington Funds' general partners have entered (and/or expect to enter) into "side letters" or similar agreements with certain investors pursuant to which the general partner grants the investor specific rights, benefits, or privileges that are not made available or disclosed to investors generally except as required under the Governing Documents of the applicable Lexington Fund.

In addition to providing advisory services to the Lexington Funds, Lexington provides non-discretionary sub-advisory services to StepStone Group LLC ("StepStone") with respect to a portfolio of private investment funds managed by StepStone in which certain Lexington Funds are invested.

Lexington does not participate in any wrap fee programs.

Lexington manages all assets of the Lexington Funds on a discretionary basis in accordance with the terms and conditions of each Lexington Fund's Governing Documents. As of September 30, 2023, the amount of assets Lexington manages on a discretionary basis is \$71,853,355,178.<sup>1</sup>

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<sup>1</sup> Discretionary assets under management include the Lexington Funds' asset values and uncalled commitments as of September 30, 2023, and additional investor commitments closed between October 1, 2023 and November 13, 2023.

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

### *Compensation and Fee Schedules*

All investors and prospective investors should review the Governing Documents of the applicable Lexington Fund in conjunction with this brochure for complete information on the fees and compensation payable with respect to such Lexington Fund. Different Lexington Funds are subject to different advisory fees as compensation for the investment advisory services rendered to the applicable Lexington Fund (each, an “Advisory Fee”), typically calculated based on committed capital or the sum of the fair market value of portfolio investments and reserves for portfolio investments with respect to such Lexington Fund. Lexington also receives performance-based compensation from the Lexington Funds as described further in the section titled “*Performance-Based Fees and Side-by-Side Management*”.

The precise amount, and the manner and calculation, of the Advisory Fees for each Lexington Fund are established by Lexington and are set forth in such Lexington Fund’s Governing Documents, which are received by each investor prior to making an investment in such Lexington Fund. In certain circumstances, the Advisory Fees payable to Lexington by individual investors in a Lexington Fund will vary among such investors (e.g., based on size of commitment, timing of admission or otherwise) and may be negotiable. Moreover, employees and certain business associates and “friends and family” of Lexington or its personnel (collectively, “Adviser Investors”) typically will not pay or bear any Advisory Fees with respect to their direct or indirect investments in the Lexington Funds. Notwithstanding that Adviser Investors will generally not pay or bear Advisory Fees, Adviser Investors will bear their pro rata share of certain Fund expenses or such Adviser Investors’ pro rata portion of such expenses will be allocated to Lexington.

Advisory Fees paid by a Lexington Fund are indirectly borne by investors in such Lexington Fund. Investors and prospective investors in each Lexington Fund should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees and that fees may differ among investors in the same Lexington Fund. All clients of Lexington are “qualified purchasers” as defined in Section 2(a)(51) of the Company Act and therefore Lexington has not included specific fee information in this brochure.

### *Deduction of Fees; Timing of Payments; Termination*

Lexington is authorized under the Governing Documents to charge and deduct Advisory Fees directly from the Lexington Funds. Payments of Advisory Fees are generally made quarterly in advance and in accordance with the terms of the Governing Documents of the applicable Lexington Fund. As a general matter, Advisory Fees will be payable during term extensions unless otherwise agreed with investors. Please refer to the Governing Documents of each of the Lexington Funds for complete information on the timing of Advisory Fee payments.

Upon termination of any Lexington Fund’s advisory relationship with Lexington, any prepaid, unearned fees will be promptly refunded to such Lexington Fund, and any earned, unpaid fees will be due and payable.

### *Other Fees and Expenses*

Consistent with the Governing Documents of the Lexington Funds, in addition to the Advisory Fees and performance-based compensation payable to Lexington, each Lexington Fund (and indirectly, the investors thereof) will incur and/or bear certain charges, including (but not limited to): fees, costs and expenses of any administrators (including administrators that perform anti-money laundering or “know your customer” diligence and investor verification services in connection with the ongoing participation of investors in the Lexington Funds), independent appraisers, custodians, depositaries, attorneys, accountants, auditors, tax advisors, “tax matters partners” or “partnership representatives”, consultants, brokers, agents, research-related data providers, valuation firms or experts or other professionals (including advisors to Lexington); costs associated with preparing, printing, and distributing communications and reports to investors and monitoring investor portfolio activity (including, without limitation, accounting or financial management software and other expenses (including third party expenses) incurred in connection with the preparation of financial statements, tax returns, Schedules K-1 and other accounting or similar administrative functions); out-of-pocket costs and expenses, if any, incurred in connection with developing, negotiating, structuring, monitoring, custodizing, or, to the extent applicable, disposing of, portfolio investments of the Lexington Fund (whether or not consummated), including, without limitation, any financing, legal, tax, accounting, advisory, consulting, software or other professional expenses in connection therewith, any liquidated damages, reverse termination fees or similar payments, and expenses incurred in connection with organizing the Lexington Fund and its related entities (including, for example, any entities used to acquire, hold, or dispose of any one or more investments or otherwise to facilitate investment activities), and the offering of interests in the Lexington Fund (including expenses relating to organizational and governing documents, prospectuses, diligence responses, disclosure documents, legal opinions, side letters and similar agreements, printing fees, filing fees, meetings with prospective investors and travel related thereto), as well as attending meetings related to portfolio investments, including, without limitation, any related legal and accounting fees and expenses, travel expenses, maintenance and formation and/or filing fees; the costs and expenses (including travel, set-up, room and board, honorarium, dining, entertainment and related expenses) of holding meetings or conferences with one or more of the Lexington Fund’s investors and/or advisory board(s); out-of-pocket costs and expenses, if any, incurred by or on behalf of the Lexington Fund in developing, negotiating and structuring prospective or potential portfolio investments which are not ultimately made, including, without limitation, any legal, accounting, advisory, financing, broken-deal, travel, consulting and other professional costs, fees and expenses in connection therewith (to the extent not otherwise reimbursed); investment banking, brokerage commissions, prime brokerage fees, registration fees and expenses, custodial expenses, other bank service fees and other investment costs, fees and expenses actually incurred in connection with actual portfolio investments; expenses incurred in connection with complying with provisions in side letter agreements (including the process of distributing and implementing applicable elections pursuant to any “most-favored-nations” clauses in side letters); extraordinary expenses of the Lexington Fund, including, without limitation, the costs of any pending or threatened litigation, audit, investigation, administrative or other proceedings (including out-of-pocket costs and expenses, if any, associated with any third-party examination or audits (including similar services) of the Lexington Fund or Lexington that are attributable to the operation of such Lexington Fund or requested by one or more investors in

the Lexington Fund (but, for the avoidance of doubt, excluding any SEC or similar regulatory examination)), settlement or review of the business or activities of the Lexington Fund, D&O liability or other insurance and any indemnification or extraordinary expense (including judgments, fines, other awards and settlements paid in connection therewith) or liability relating to the affairs of the Lexington Fund; all out-of-pocket fees, costs and expenses, if any, incurred in connection with the Lexington Fund's legal and regulatory compliance with U.S. federal, state, local, non-U.S. or other law, rule or regulation (including, for example and without limitation, Form PF, FATCA and related foreign account reporting regimes (including, without limitation, the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard and any associated guidance), the Directive and related European Economic Area national private placement laws or other similar non-U.S. laws, rules or regulations relating to the foregoing or the implementation thereof in any relevant jurisdiction, including any registrations, licenses, notices, reports and/or filings required in accordance with the AIFM Directive or the European Union Sustainable Finance Disclosure Regulation and any other applicable legislation or regulations related to the European Commission's Action Plan on Financing Sustainable Growth, similar filings required in other jurisdictions, all costs incurred in complying with the Directive or other local rules and regulations, including the engagement, organization or maintenance of any entity used in connection with compliance by the Lexington Fund with the Directive or other local rules and regulations (including any entity engaged or established to be the "alternative investment fund manager" of the Lexington Fund within the meaning of the Directive as well as any travel and accommodation expenses related to such entities; the salary and benefits of any personnel reasonably necessary for the maintenance of such entities; or other overhead expenses in connection therewith), applicable anti-money laundering and "know your customer" procedures, laws and/or regulations, Swiss representatives and paying agents, foreign depositaries, and any registration of Lexington, its affiliates or the Lexington Fund under applicable law in connection with the offering of interests in the Lexington Fund or expenses relating to clearing or distributing subscriptions of the Lexington Fund through a local broker-dealer or agent under applicable law), the preparation and administration of any reports, disclosures, filings or notifications prepared in accordance with the foregoing, and third party expenses incurred in connection with the preparation and administration of filings in connection with any such laws or regulations; all costs and expenses related to the presence of the Lexington Fund's general partner or its affiliates (including vehicles formed to facilitate portfolio investments) in jurisdictions in which such Lexington Fund or an alternative investment vehicle maintains subsidiary or related acquisition vehicles, including rent, domiciliation fees, directors fees and other similar costs; technology-related expenses, including, without limitation, costs and expenses of technology and software implementation service providers or consultants (including external consultants to implement software and other technology) and related software/hardware (including, without limitation, with respect to accounting, financial, document and client management software, sending secure communications to the Lexington Fund's partners and the preparation of financial statements, tax returns, Schedule K-1s) and market data and research utilized in connection with investment and operational activities; interest on, and fees and expenses arising out of, all borrowings made by the Lexington Fund and entities formed to facilitate investments, including the costs and expenses incurred in arranging, negotiating, structuring, entering into and amending any credit facility; the costs of negotiating, structuring, entering into and



amending any agreements or arrangements relating to hedging, derivative transactions and other financial instruments; expenses incurred in connection with an investor's actual or proposed transfer of its interest in the Lexington Fund (including legal fees, which may be subject to minimum amount) that are not recouped from the assignor or assignee; expenses incurred in connection with tax filings related to the Lexington Fund's activities (including in foreign jurisdictions); the costs of dissolving the Lexington Fund and liquidating such Lexington Fund's assets; certain expenses incurred by the Lexington Fund's advisory board members (if any); any taxes, fees or other governmental charges levied against the Lexington Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Lexington Fund; and any other expenses permitted under the Lexington Fund's Governing Documents or duly approved by such Lexington Fund's advisory board. For the avoidance of doubt, any travel expenses described herein may include expenses associated with the use of private aircraft, business class or first class travel (including ground transportation) and/or lodging, meals (including closing dinners), closing "deal tokens," late night cars and dinners, social and entertainment events with portfolio investment management teams, customers, clients, borrowers, brokers, and service providers.

As further discussed in the section titled "*Methods of Analysis, Investment Strategies and Risk of Loss*," Lexington reserves the right to offer co-investment opportunities alongside a Lexington Fund to certain investors and/or third parties in its sole discretion. In the event that a proposed co-investment opportunity is not consummated but certain costs and expenses have been incurred by a Lexington Fund, Lexington or its affiliates in pursuit of such investment opportunity (including, without limitation, legal, financial, travel and other business diligence costs and expenses), such costs and expenses generally will be paid solely by such Lexington Fund and it is expected that any potential co-investors (including committed co-investment vehicles) will generally not bear any portion of such "broken deal" costs and expenses.

In addition, from time to time Lexington forms certain acquisition vehicles or similar "special purpose vehicles" ("SPVs") for the purpose of facilitating investments (including secondary transactions) by one or more Lexington Funds, investors and/or other third parties. In the event Lexington creates an SPV, the SPV, and indirectly the investors of the Lexington Funds participating in such SPV, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV. Expenses associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in a Lexington Fund (including, without limitation, expenses of accounting and tax services) generally will be borne by such Lexington Fund.

Further, each private investment fund in which a Lexington Fund acquires an interest will generally pay advisory fees, performance-based compensation and/or other fees and expenses to an investment adviser and/or general partner that is not affiliated with Lexington. Compensation and expenses paid to Lexington for investment advisory services to the Lexington Funds are separate and distinct from the advisory fees, performance-based compensation and expenses charged by the independent investment advisers or general partners of the private investment funds in which the Lexington Funds invest.

While Lexington does not receive any investment advisory fees from StepStone in connection with the sub-advisory services it provides to StepStone, Lexington does receive reimbursement with respect to reasonable out-of-pocket costs and expenses incurred by Lexington in performing the sub-advisory services.

The section titled “*Brokerage Practices*” describes the factors Lexington considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

#### *Timing of Payments*

Please refer to the subsection titled “*Deduction of Fees; Timing of Payments; Termination*” described above.

#### *Transaction-Based Compensation*

Lexington does not receive any compensation as broker or agent for the sale of securities or other investment products to any Lexington Fund. Please refer to the subsection titled “*Economic Benefits Received from Third Parties*” below for information on other types of compensation that Lexington from time to time expects to receive with respect to investments by the Lexington Funds.

#### *Allocation of Expenses*

From time to time Lexington will be required to decide whether certain fees, costs and expenses should be borne by a Lexington Fund, on the one hand, or Lexington, on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among the Lexington Funds and/or other parties. Certain expenses may be the obligation of one particular Lexington Fund and may be borne by such Lexington Fund, or expenses may be allocated among multiple Lexington Funds and entities. In exercising its discretion to allocate investment opportunities and fees and expenses, Lexington is faced with a variety of potential and actual conflicts of interest. Lexington will generally allocate fees and expenses incurred in the course of evaluating and making portfolio investments in which multiple Lexington Funds participate (or are expected to participate) in accordance with the applicable Lexington Funds’ Governing Documents or, to the extent not addressed in such Governing Documents, in its sole discretion, using good faith and its best judgment considering those factors and policies Lexington deems relevant and appropriate. Lexington will make similar determinations with respect to the allocation of relevant fees and expenses among Lexington and its affiliates and the Lexington Funds. Lexington expects to encounter conflicts of interest in allocating certain expenses among a Lexington Fund and any other Lexington Funds (including managed accounts, co-investment vehicles and other vehicles) investing alongside it (and in certain circumstances, among the partners of a Lexington Fund). Lexington in many cases will allocate all expenses (organizational or otherwise) related to a Lexington Fund (including fees, costs and expenses related to marketing in local jurisdictions and complying with regulations related thereto (which may include the engagement, organization and/or maintenance of certain entities)) among such Lexington Fund and other relevant Lexington Funds, accounts and vehicles on a pro rata basis based on capital commitments, invested capital or available capital, as applicable, but in certain instances will do so in a different manner if Lexington determines in good faith

that doing so is more equitable or appropriate under the circumstances. Notwithstanding the foregoing, in certain instances (e.g., where Lexington allocates the cost of a service provider's retainer pro rata to all actively investing Lexington Funds, regardless of the amount of services actually received by each such Lexington Fund during the relevant period) the portion of an expense allocated to a Lexington Fund for a particular service will not reflect the relative benefit derived by such Lexington Fund from that service. In some cases, investors will bear a greater share of expenses than they would if a different allocation methodology were utilized.

If multiple Lexington Funds evaluate a potential investment that is not consummated, Lexington generally allocates fees and expenses generated in the course of evaluating such investment among such Lexington Funds based on the anticipated investment of each such Lexington Fund or such other method as Lexington deems appropriate. Such expenses typically are not allocated to prospective co-investors.

Lexington from time to time pays expenses on behalf of the Lexington Funds, and such expenses are thereafter allocated to, and reimbursed by, the relevant Lexington Funds in a manner consistent with the allocation procedures described above and generally without interest. In addition, in certain circumstances one Lexington Fund will pay an expense or obligation common to multiple Lexington Funds (including, without limitation, legal expenses for a transaction in which all such Lexington Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Lexington Funds over time), and in such cases Lexington will cause such other Lexington Funds to reimburse the paying Lexington Fund for their share of such expenses or obligations.

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

##### *Performance-Based Fees*

A related entity of Lexington, as general partner of a Lexington Fund, will typically receive certain allocations calculated and charged based on a share of capital gains on or capital appreciation of the assets of such Lexington Fund. Such "carried interest" allocation arrangements are intended to comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "Advisers Act"). Any share of profits paid to the general partners of the Lexington Funds are separate and distinct from the Advisory Fees charged by Lexington for advisory services.

Arrangements regarding performance-based allocations received by related persons of Lexington can create an incentive for Lexington to cause a Lexington Fund to make investments that are riskier or more speculative than those that Lexington would have caused such Lexington Fund to make under a different fee or compensation arrangement. However, Lexington generally considers performance-based compensation to better align its interests with those of its investors.

##### *Side-by-Side Management*

Each Lexington Fund is subject to its own performance-based compensation arrangements, and, in certain cases, Lexington or an affiliate may not be permitted to take a performance-

based allocation or may only be permitted to take a performance-based allocation from a Lexington Fund after the investors in such Lexington Fund have received a preferred return on their contributed capital. The potential for Lexington and its affiliates to receive different fees or allocations from performance-based accounts creates a potential conflict of interest with respect to the allocation of investment opportunities and Lexington's time and resources because Lexington has an incentive to direct the best investment ideas and/or resources to, or to allocate investments and/or resources in favor of, the account that pays a more favorable performance fee or allocation.

Please refer to the Governing Documents of each Lexington Fund for complete information on the specific performance-based allocation arrangements of such Lexington Fund.

### **Item 7: Types of Clients**

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

Lexington generally provides advice to pooled investment vehicles. Lexington also provides advice to managed accounts (i.e., investment vehicles in which only Lexington and one or more affiliates of a single third party invest). Investors in the Lexington Funds include, without limitation, corporations, endowments, foundations, trusts, estates, sovereign wealth funds, banks and other financial institutions, insurance companies, family offices, high net worth individuals and public and private retirement and pension plans and profit sharing plans. As noted above, Lexington also provides non-discretionary sub-advisory services to StepStone, an investment adviser registered with the SEC.

In connection with the formation and management of the Lexington Funds, Lexington or its related entities from time to time establish certain vehicles ("Feeder Funds") to address tax, legal, regulatory and/or other similar issues or requirements of certain investors in the Lexington Funds. Each Feeder Fund is a limited partner (or equivalent) of a Lexington Fund and interests in such Feeder Fund are held by the investors who participate in the Lexington Fund through such Feeder Fund. In addition, from time to time Lexington forms other parallel funds, alternative investment vehicles and/or similar investment vehicles to address tax, legal, regulatory and/or other business considerations.

Investors are requested to refer to the Governing Documents of the applicable Lexington Fund for complete details on any Feeder Funds or other investment vehicles established in connection with such Lexington Fund and such Lexington Fund's ability to make investments through any such vehicles.

#### *Minimum Investment Requirements*

Lexington and its related entities generally require that each investor in the Lexington Funds be an "accredited investor" as defined in Regulation D promulgated under the Securities Act. In addition, Lexington and its related entities generally require that each investor in the Lexington Funds be a "qualified purchaser" as defined in the Company Act.

In general, the minimum investment commitment required of an investor to participate in a Lexington Fund is \$5,000,000; however, the general partner of each Lexington Fund has discretion to increase or reduce the minimum investment commitment and such minimum investment requirement does not apply to all Lexington Funds. Investors are requested to refer to the Governing Documents of the applicable Lexington Fund for complete information on minimum investment requirements for participation in such Lexington Fund.

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

Investments and potential investments are analyzed by Lexington based on (i) with respect to investments in private investment funds, the investment strategy and focus of the underlying private investment funds, the relevant experience of the underlying private investment funds' managers, the past performance of related private investment funds, if any, and any other methods deemed appropriate, and (ii) with respect to investments in equity and quasi-equity securities and securities distributed in kind to the Lexington Funds, the "fundamental" analysis of the issuers of such securities.

Lexington's principal sources of information (i) with respect to investments in private investment funds, include private offering memoranda, quarterly and annual reports of the underlying private investment funds, personal interviews with the underlying private investment funds' managers, and reference checks on the underlying private investment funds' managers, and (ii) with respect to investments in equity and quasi-equity securities of an entity, include private offering memoranda, quarterly and annual reports, personal interviews with directors and officers of such entities and visits to such entities, SEC filings (if available) and general industry knowledge.

Lexington provides investment advice on various types of private investments. As described above, Lexington's primary investment strategy is to seek capital appreciation by acquiring diversified portfolios of private investment fund interests (generally through secondary market purchases) and, in certain circumstances, privately held portfolio companies, and holding and realizing on such interests. Lexington also provides advice with respect to making "primary market" commitments to private investment funds that have recently been formed or are otherwise still fundraising and participating in co-investment transactions that are sponsored by managers or general partners of private investment funds and/or other associated management teams.

The task of identifying investment opportunities and managing private equity investments is difficult. There can be no assurance that a Lexington Fund will be able to make and/or realize any particular investment or that the Lexington Funds will be able to generate returns for their investors. The marketability and value of any such investments will depend upon many factors beyond the control of Lexington and the Lexington Funds. In addition, there can be no assurance that any investor will receive any distribution from a Lexington Fund. Investing in the Lexington Funds involves a risk of loss that investors should be prepared to bear. Investors in the Lexington Funds should carefully consider, among other factors, the following material risks involved with Lexington's investment strategies. Investors in the Lexington Funds are requested to refer to the Governing Documents of the applicable Lexington Fund for complete

information on investment strategies employed by such Lexington Fund and the corresponding risks associated with such investment strategies.

### *Risks Inherent in Investments in the Lexington Funds*

A successful program of investing is subject to risks related to (i) the quality of the management of the respective private investment funds in which the Lexington Funds invest (the “Investment Funds”); (ii) the ability of the management of the Investment Funds to select successful investment opportunities; (iii) general economic conditions; and (iv) the ability of the Lexington Funds and the Investment Funds to liquidate their investments. There can be no assurance that the investments made by the Investment Funds will result in rates of return to the Lexington Funds that are equal to or better than the average rate of return on investments in other partnerships, or that the performance of any Investment Fund will equal or exceed the performance of past investments made by Lexington. Historically, private equity returns have varied greatly over time, depending on the conditions at the time investments were made and when the private equity partnerships exited such investments. In addition, each private equity subclass may exhibit considerable volatility of returns. The Lexington Funds may not be successful in meeting their respective performance objectives. Investors should not subscribe to a Lexington Fund unless they can bear the risk of a complete loss of their committed capital.

### *Undervalued Investments*

The investment strategy of the Lexington Funds is based, in part, upon the premise that certain potential investments will be available for purchase by a Lexington Fund at “undervalued” prices. However, purchasing interests at what may appear to be “undervalued” or “discounted” levels is no guarantee that these investments will generate attractive risk-adjusted returns to such Lexington Fund, and it is possible that such investments will be subject to further reductions in value. No assurance can be given that any Lexington Fund will be able to acquire investments at favorable prices or that the market for such interests will continue to improve.

### *Highly Competitive Market for Investment Opportunities*

The activity of identifying, completing and realizing private equity investments is highly competitive and involves a high degree of uncertainty. The Lexington Funds and the Investment Funds will be competing for investments with other private equity investment vehicles, as well as individual third-party investors, including, without limitation, other investment partnerships and corporations, business development companies, sovereign wealth funds, domestic and international public pension plans, individuals, financial institutions and other investors investing directly or through affiliates. Some of these competitors may have greater financial and other resources and more personnel than Lexington. Furthermore, over the past several years, an increasing number of private equity funds, including secondary and co-investment funds of funds and other capital pools targeted at the secondary and co-investment sectors, have been formed, and additional capital will likely be directed at these sectors in the future. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. No assurance can be given that the Lexington Funds will be able to identify investment opportunities that satisfy their investment objectives and desired diversification goals or, if the Lexington Funds are successful in identifying such investment

opportunities, that they will be permitted to invest, or invest in the amounts desired, in such opportunities. Additionally, there continues to be a significant amount of capital available in the industry for secondary investments. Accordingly, it is possible that a Lexington Fund's capital commitments will not be fully utilized if sufficient attractive investments are not identified and consummated by such Lexington Fund during its investment period.

#### *Certain Risks Particular to Secondary Investments*

The market for secondary investments has been evolving and is likely to continue to evolve. It is possible that competition for appropriate investment opportunities will increase, thus reducing the number of investment opportunities available to the Lexington Funds and adversely affecting the terms upon which investments can be made by such Lexington Funds. Accordingly, there can be no assurance that the Lexington Funds will be able to identify sufficient investment opportunities or that they will be able to acquire sufficient secondary investments on attractive terms. In addition, in the cases where a Lexington Fund acquires an interest in an Investment Fund or directly held security in a secondary transaction, such Lexington Fund typically will acquire certain contingent liabilities of the seller of such interest. More specifically, where the seller has received distributions from the relevant Investment Fund and, subsequently, such Investment Fund recalls one or more of these distributions, such Lexington Fund (as the purchaser of the interest to which such distributions are attributable) and not the seller likely will be obligated to return monies equivalent to such distributions to the Investment Fund. While such Lexington Fund may, in turn, be able to make a claim against the seller for any such monies so paid to the Investment Fund, there can be no assurances that such Lexington Fund would have the ability to make such a claim or, if such a claim were made, that such Lexington Fund would prevail. Finally, in some instances, the Lexington Funds have the opportunity to acquire a portfolio of Investment Fund interests or directly held securities from a seller on an "all or nothing" basis. Certain of the Investment Funds or directly held securities in such a portfolio are often less attractive than others, and certain of the sponsors of such Investment Funds or directly held securities are often more familiar to Lexington than others, or are more experienced or highly regarded than others. In addition, the Lexington Funds sometimes have the opportunity to participate in "linked secondaries" (e.g., a secondary market purchase of an existing interest and corresponding portfolio investment in a separate vehicle sponsored by the same investment manager). In certain instances, the corresponding portfolio investment may be less attractive than the secondary market purchase of an existing interest. In such cases, it may not be possible for the Lexington Funds to exclude from such purchases those investments which Lexington considers (for commercial, tax, legal or other reasons) less attractive. Moreover, with respect to linked secondaries relating to secondary transactions in which more than one Lexington Fund participates, a Lexington Fund may be allocated a greater or lesser proportional share of commitments to corresponding portfolio investments than its proportional share of the secondary transaction. Similarly, with respect to secondary transactions in which multiple Lexington Funds participate, there can be no guarantee that agreements with counterparties regarding allocations of purchase price among secondary portfolio interests, deferred purchase price payment mechanics and/or other terms of the transaction will not be more or less advantageous to one or more specific Lexington Funds than to other participating Lexington Funds.

### *Certain Risks Particular to Co-Investments*

Certain Lexington Funds make “co-investments” in transactions sponsored by the general partners or managers of the Investment Funds. Typically, co-investments are structured as investments in special purpose vehicles established and controlled by the sponsor Investment Fund’s general partner or manager or an affiliate thereof, which in turn invest in an underlying transaction. Special purpose vehicles are typically structured so that all decision making with respect to the underlying investment transaction is made mutatis mutandis with the sponsor’s Investment Fund. Thus, a Lexington Fund’s investment in any co-investment will be largely controlled by the sponsor Investment Fund’s general partner or manager or an affiliate thereof. Co-investment opportunities are sometimes in high demand and over-subscribed. Accordingly, sponsor Investment Fund general partners and managers are generally reluctant or unwilling to negotiate the terms of co-investments and at times insist on flexibility to deviate from strict mutatis mutandis decision making. This flexibility could cause the underlying investment to be less successful for the co-investors than for the sponsor’s Investment Fund. In addition, the sponsor’s Investment Fund typically receives or otherwise benefits from transaction, monitoring and other fees and remuneration in connection with co-investment transactions. These fees are often not shared with co-investors, thus making investments less attractive for co-investors than for the sponsor’s Investment Fund. The sponsor’s Investment Fund is typically responsible for break-up fees if the underlying transaction is ultimately not consummated for certain reasons attributable to such Investment Fund. Some co-investment opportunities require co-investors to bear their pro-rata portion of any such break-up fees. In these situations, a Lexington Fund could be required to pay a portion of a break-up fee if a co-investment transaction is not consummated.

### *Allocation of Investment Opportunities Among Lexington Funds; Co-Investment Allocations*

Lexington is, from time to time, presented with investment opportunities that fall within the investment objectives of more than one Lexington Fund. Lexington has adopted written policies and procedures relating to the allocation of investment opportunities and will make allocation determinations consistently therewith. If Lexington concludes that an investment opportunity is appropriate and advisable for more than one Lexington Fund, it then determines which of such Lexington Funds will participate in that investment opportunity. The factors Lexington typically considers at this stage include, but are not limited to, Lexington’s obligations or rights (if any), pursuant to the Governing Documents of the applicable Lexington Funds or otherwise, to offer some or all of the investment opportunity to one or more particular Lexington Funds, and whether legal, regulatory, contractual and/or other applicable restrictions would prohibit or limit the participation of certain Lexington Funds or investors in the investment opportunity.

If Lexington determines that multiple Lexington Funds will participate in a particular investment opportunity, Lexington will allocate such opportunity among such Lexington Funds in accordance with its policies and procedures and on a basis that Lexington reasonably determines in good faith to be fair and reasonable taking into account relevant facts and circumstances including (without limitation): the specific investment guidelines and investment focus, objectives, size, geographical limitations, risk profile and capital available for investment of each applicable Lexington Fund; projected future capacity for investment of



each applicable Lexington Fund; diversification needs and prudent concentration levels, including exposure of the applicable Lexington Funds to specific underlying portfolio funds and/or sponsors; the composition of each applicable Lexington Fund's portfolio; availability of other suitable investments for each applicable Lexington Fund; the applicable Lexington Funds' liquidity; the size of the applicable investment opportunity; each applicable Lexington Fund's targeted rate of return; in the case of a portfolio of interests, the ability to allocate the interests to more than one Lexington Fund; specific underlying fund investment objectives and restrictions, and the level of unfunded commitments of the applicable underlying funds; legal and contractual restrictions applicable to the transfer of the applicable interests; tax implications applicable to the investment opportunity; risk considerations of each applicable Lexington Fund; cash flow considerations of each applicable Lexington Fund; industry and other allocation targets of each applicable Lexington Fund; lender covenants and other limitations applicable to the investment opportunity and/or any applicable Lexington Fund; any investment limitations, restrictions or other obligations in the applicable Governing Documents (including whether the applicable Lexington Funds are permitted to syndicate portions of investments); potential conflicts of interest, including whether any applicable Lexington Fund has an existing investment in the security in question or the issuer of such security and whether any "right of first refusal" or similar right exists with respect to a specific Lexington Fund; whether the investment opportunity requires additional consents or authorizations from applicable Lexington Funds, investors or third parties; the nature of the investment opportunity, including minimum and/or maximum investment amounts, the source of the opportunity and the involvement of specific deal teams in sourcing the opportunity; whether an investment opportunity would enable any applicable Lexington Fund to qualify for certain programmatic benefits or discounts (e.g., the ability to enter into credit arrangements with certain financial or governmental institutions) that are not readily available to other Lexington Funds; current and anticipated market conditions; and such other considerations as Lexington deems relevant in good faith. When Lexington determines that only one Lexington Fund will participate in an investment opportunity, Lexington assesses the amount of the available opportunity that is advisable for such Lexington Fund. In making this assessment, Lexington is permitted to consider any of a number of factors, which typically include certain of the factors described above for allocations of investment opportunities among multiple Lexington Funds.

From time to time, an investment opportunity will be deemed to be inappropriate (in whole or in part) for a Lexington Fund for reasons that may include one or more of the foregoing allocation factors. As a result, certain Lexington Funds will, from time to time, invest in opportunities that other Lexington Funds with similar investment strategies have declined (in whole or in part), and likewise, certain Lexington Funds will, from time to time, decline to invest in opportunities (in whole or in part) in which other Lexington Funds have invested. Furthermore, the application of the investment allocation requirements and factors set forth above will often result in allocation on a non-pro rata basis and there can be no assurance that a Lexington Fund will participate in all investment opportunities that fall within its investment objectives.

In addition, principal executive officers and other personnel of Lexington invest in Lexington Funds (either directly or indirectly through the general partner of the applicable Lexington

Fund), and therefore participate indirectly in investments made by the Lexington Funds in which they invest, consistent with the Governing Documents of the applicable Lexington Fund(s). Such interests will vary and can create an incentive to allocate particularly attractive investment opportunities to the Lexington Fund(s) in which such personnel hold greater interests. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Lexington Fund. In addition, to the extent an investment opportunity is received that Lexington determines is unsuitable for the Lexington Funds, in Lexington's sole discretion, Lexington and its personnel reserve the right to refer such opportunity to third parties. In certain limited circumstances, subject to Lexington's compliance policies, Lexington personnel will or may be permitted to make personal investments in an investment opportunity that Lexington has declined on behalf of one or more Lexington Funds.

From time to time, Lexington has discretion with respect to the investment of co-investment capital. Lexington has formed, and will form in the future, committed co-investment vehicles or managed accounts both during and following a Lexington Fund's fundraising period to participate alongside such Lexington Fund in investment opportunities, and certain of such vehicles likely will receive priority with respect to co-investment allocations. Such committed co-investment vehicles or managed accounts are in some cases allocated investment opportunities based on the ratio of capital commitments to such vehicles or accounts and the total or target capitalization of the applicable Lexington Fund, and in other cases are allocated investment opportunities on a different basis as agreed to by Lexington and the investor(s) in such vehicles or accounts. Lexington shall offer opportunities to invest in such vehicles to investors in its sole discretion. The capital committed to such co-investment vehicles or managed accounts would generally not be included in the overall size limitations on a Lexington Fund's investment program.

In addition to committed co-investment vehicles and managed accounts, from time to time Lexington determines that the amount of a specific investment opportunity exceeds the amount Lexington believes would be appropriate for the participating Lexington Fund(s) and, in such event, Lexington reserves the right to offer co-investment opportunities alongside the Lexington Fund(s) in such specific investment opportunity. Lexington generally does not, and does not expect to, offer co-investment opportunities with respect to all of a Lexington Fund's investments. Subject to any investment allocation requirements set forth in the Governing Documents of the applicable Lexington Fund(s), in general (i) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Lexington, (ii) co-investment opportunities typically will be offered to some investors and not to other investors, and (iii) Lexington reserves the right to offer co-investment opportunities to certain persons other than investors in the Lexington Funds (e.g., third parties). It is expected that many investors who may have expressed an interest in co-investment opportunities will not be allocated any co-investment opportunities or will receive a smaller amount of co-investment opportunities than the amount requested.

Subject to the relevant Governing Documents and Lexington's policies and procedures relating to co-investment allocation, Lexington allocates each specific co-investment opportunity in its sole discretion to potential co-investors, which may include but are not limited to investors in

Lexington Funds and third parties, and typically considers some or all of a wide range of factors, including (without limitation): Lexington's evaluation of the size and financial resources of the potential co-investment party and Lexington's perception of the ability of that person or entity (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Lexington Fund(s) without harming or otherwise prejudicing such Lexington Funds(s), in particular when the investment opportunity is time-sensitive in nature, as is often the case; Lexington's evaluation of whether the potential co-investment party has a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required; any confidentiality concerns Lexington has or believes may arise in connection with providing the potential co-investment party with specific information relating to the investment opportunity in order to permit such person or entity to evaluate the investment opportunity; Lexington's evaluation of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the potential co-investment party would act upon the investment opportunity if offered; Lexington's evaluation of whether a particular potential co-investment party has provided value in sourcing, establishing relationships, or participating in diligence and/or negotiations with respect to the investment opportunity or (to the extent applicable to the relevant investment) is expected to provide value to the business or operations of a portfolio company, or otherwise in relation to the investment, post-closing; to the extent applicable to the relevant investment, the ability of the potential co-investment party to aid in operating or monitoring a portfolio company or enterprise, or the possession of certain expertise by the potential co-investment party and (as applicable) the potential co-investment party's chemistry with the management team of the potential portfolio company or enterprise and whether the potential co-investment party has any existing positions in the portfolio company or enterprise; Lexington's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and/or the ability of the applicable Lexington Fund(s) to take advantage of such opportunity; the character and nature of the investment opportunity and/or the co-investment portion of such opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry); the level of demand for participation in the investment opportunity; whether the potential co-investment party has indicated a desire to participate in investments of the type offered; any requirements or restrictions concerning co-investments in the Governing Documents and/or side letters of the applicable Lexington Fund(s); whether Lexington believes, in its sole discretion, that allocating the co-investment opportunity to the potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide, indirectly, longer-term benefits (including strategic, sourcing or similar benefits) to Lexington, the Lexington Funds and/or future funds managed by Lexington; and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of Lexington, the Lexington Funds and/or future funds managed by Lexington.

The factors above are not listed in order of importance or priority and Lexington is not required to, and does not, consider all of the factors described above with respect to any particular

investment. Some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances.

The allocation of co-investment opportunities can involve benefits to Lexington including, without limitation, fees or carried interest from the co-investment opportunity and capital commitments to other Lexington Funds.

There can be no assurance that Lexington will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that a co-investment will take place on terms and conditions that are preferable for the applicable Lexington Fund, or that expenses incurred by a Lexington Fund with respect to the syndication of a co-investment will not be substantial. In addition, to the extent permitted in the applicable Governing Documents, a Lexington Fund will from time to time close on an investment opportunity and later syndicate all or a portion of such opportunity to a co-investor, and Lexington will not necessarily require such co-investor to pay any interest to such Lexington Fund with respect to the Lexington Fund's earlier capital contributions and/or expense payments in connection with the co-investor's subsequent acquisition of such opportunity. Similarly, if a Lexington Fund acquires an investment and subsequently sells down a portion of the investment to a third party co-investor, it is possible, subject to the applicable Governing Documents, that such Lexington Fund will not be fully reimbursed for the portion of its expenses that are attributable to such co-investor's portion of the investment. Further, it is possible that an actual or potential co-investor may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of the applicable Lexington Fund and as a result, may take a different view from Lexington as to appropriate strategy for an investment or may be in a position to take action contrary to a Lexington Fund's investment objective.

In determining whether, and by what margin, the amount of an available investment opportunity exceeds the amount that is appropriate for the participating Lexington Fund(s), Lexington expects to be subject to potential conflicts of interest because, in most cases, the amount of an investment opportunity available to co-investors increases as the amount allocated to participating Lexington Funds decreases. Because co-investment opportunities generally appeal to Lexington Fund investors and third parties, Lexington could be incentivized to conclude that the appropriate investment size for the relevant Lexington Fund(s) is smaller than it would have concluded in the absence of potential for allocation to co-investors.

In the event that a proposed co-investment opportunity is not consummated but certain costs and expenses have been incurred by one or more Lexington Fund(s), Lexington or its affiliates in pursuit of such investment opportunity (including, without limitation, legal, financial, travel and other business diligence costs and expenses), such costs and expenses generally will be paid solely by such Lexington Fund(s) and it is expected that any potential co-investors (including committed co-investment vehicles) will generally not bear any portion of such "broken deal" costs and expenses.

Lexington or its affiliates from time to time establish dedicated co-investment vehicles for specific investors in order to facilitate investments by the relevant investors as co-investment parties alongside a Lexington Fund. Any such vehicle will be established at Lexington's or its affiliates' sole discretion and Lexington and its affiliates generally have no obligation to offer a similar opportunity to any other investor.

In addition, Lexington may form investment vehicles for the purpose of facilitating the participation by investors (including investors in the Lexington Funds and third parties) in "continuation vehicles" and other transactions within the "general partner led" secondary market, with respect to interests in investment funds held by such investors directly. Lexington may also form "sleeves" within co-investment vehicles to serve the same purpose. Such interests will likely be transferred to such Lexington-managed vehicles for purposes of participating in such transactions, and Lexington, in its capacity as general partner of such vehicles, to the extent it has an economic interest therein (e.g., for tax purposes or as otherwise agreed with applicable investors therein) may thereby indirectly acquire a portion of such interests as a result of such transactions. Similarly, Lexington may establish investment vehicles or accounts (including "evergreen" vehicles or accounts) in the future for the purpose of aggregating one or more investors' existing interests in investment funds managed by other sponsors, and such vehicles or accounts may also make new investments, sourced by Lexington. Such Lexington-managed vehicles are not expected to be "successor funds" under the Governing Documents of any Lexington Fund, and may participate in investment opportunities in accordance with the foregoing away from the Lexington Funds. Such vehicles may invest in actual or proposed investments of a Lexington Fund, and may give rise to conflicts of interest between such vehicles, on the one hand, and such Lexington Fund, on the other. Lexington typically expects such vehicles or accounts to be non-discretionary. There can be no assurance that such conflicts of interest will be resolved in a manner favorable to the relevant Lexington Fund(s). See also "Related Party Transactions" below.

#### *Related Party Transactions*

From time to time a Lexington Fund will, as a result of its investment in an Investment Fund, acquire assets owned in whole or in part (directly or indirectly) by other Lexington Funds, and in such cases proceeds will flow indirectly from such Lexington Fund to such other Lexington Funds. This could occur, for example, if a Lexington Fund invests in a sponsor's "continuation vehicle" which acquires assets from an existing fund of such sponsor, and another Lexington Fund is an investor in that existing fund. A Lexington Fund may also acquire fund interests from a fund-of-funds in which other Lexington Funds invest. Such transactions generally do not require (and Lexington does not expect to seek) the consent of the advisory boards of the applicable Lexington Funds or any investor under the Governing Documents of the applicable Lexington Funds because such transactions are not directly between a Lexington Fund and an "affiliate" (even in situations where a Lexington Fund is the lead buyer or represents a majority of the new capital, or where a Lexington Fund represents a significant portion of the selling investors). There can be no assurance that any Investment Fund interest or asset directly or indirectly acquired or sold by a Lexington Fund in the types of scenarios described above will not be valued or allocated a sale price that is higher or lower than might have been the case if such asset had been acquired or sold (as applicable) by a third party rather than a Lexington Fund. Lexington will not be required to solicit third-party bids or obtain a third-party valuation

prior to causing a Lexington Fund to participate in such transactions. There can be no assurance that the potential conflicts of interest inherent in such transactions will be resolved in a manner favorable to any specific Lexington Fund.

#### *Competition from Investment Funds*

Investment Funds (or their managers or underlying portfolio companies) from time to time compete with the Lexington Funds or other Investment Funds for investment opportunities. It is also possible that certain Investment Funds (or their managers or underlying portfolio companies) will engage in activities that have adverse consequences on the Lexington Funds and/or other Investment Funds. The foregoing may give rise to conflicts of interest, and there can be no assurance that these matters will be resolved in a manner favorable to the Lexington Funds.

#### *Material Non-Public Information; Regulatory Restrictions on Trading*

From time to time, Lexington expects, in a variety of circumstances including, without limitation, when Lexington considers a specific direct (or, in some cases, indirect) investment opportunity or a Lexington Fund sits on the advisory committee of an Investment Fund, to come into possession of material non-public and/or price-sensitive information about certain securities. The Lexington Funds generally are not free to act upon any such information, and Lexington's possession of such information typically will limit the ability of any Lexington Fund to buy and sell such securities, even if such information was obtained in the context of the investment activities of a different Lexington Fund and even if the relevant information is not known to the Lexington Personnel (as defined below) responsible for the investment decisions of the Lexington Fund that might otherwise buy or sell the relevant securities. Additionally, from time to time, Lexington decides for compliance and similar reasons to restrict the Lexington Funds' ability to buy and sell certain securities in light of information that Lexington has received or reasonably expects to receive, or for other reasons including but not limited to contractual obligations in connection with existing or prospective investments of the Lexington Funds. These restrictions apply to a Lexington Fund regardless of whether any sensitive information has actually been disclosed to the Lexington Personnel responsible for its investment decisions, and could cause a Lexington Fund not to be able to initiate a transaction that it otherwise might have initiated and not to be able to sell an investment that it otherwise might have sold. It is possible that the limitations and restrictions described above will become stricter and/or more frequent in light of Lexington's relationships and interactions with Franklin Templeton and Franklin Templeton's various other subsidiaries and business lines (which may come into possession of information that could limit a Lexington Fund's ability to engage in potential transactions), and Franklin Resources, Inc.'s status as a public company.

#### *Strategic Relationships*

Lexington is authorized from time to time to enter into agreements with investors and/or one or more of their affiliates or partners involving one or more strategies, as part of an integrated overall arrangement with Lexington. Such an agreement would typically involve an investor agreeing to make a capital commitment to multiple Lexington Funds, pursuant to which such

investor and/or its affiliates may participate in investment vehicles and/or managed accounts sponsored or advised by Lexington, which would seek to make investments in a range of underlying investment strategies (including investments of a type that would be appropriate for other Lexington Funds), with terms and conditions applicable to such investor and/or its affiliates negotiated between Lexington and such investor on a case by case basis, which will not be available or otherwise apply to investors in other relevant Lexington Funds. As a part of any such arrangement (or as an additional service to an investor in another Lexington Fund) Lexington reserves the right from time to time to provide secondment opportunities at Lexington to investors and/or assist an investor in evaluating its portfolio of private fund interests, and a Lexington Fund may subsequently purchase one or more of such interests in the ordinary course. In addition, it is possible that the investment objectives pursued by any such funds, vehicles or accounts formed to facilitate a multi-strategy investor's investments with Lexington will overlap with those of other Lexington Funds and receive allocations of investments, in whole or in part, that would otherwise be appropriate for other Lexington Funds. Investors in the Lexington Funds will not receive a copy of the agreement memorializing such a multi-strategy investment program (even if in the form of a side letter) and will be unable to elect any rights or benefits granted to such multi-strategy investor, even if the amount invested by such investor and/or its affiliates in a Lexington Fund or its related vehicles as part of such integrated overall arrangement is less than the commitment of another investor. It is possible that the limitations and restrictions described above will become stricter and/or more frequent in light of the closing of the FT Transaction, the activities of Franklin Templeton's various other subsidiaries and business lines, and its status as a public company.

### *Secondary Transfers*

To the extent Lexington has approval rights with respect to a secondary transfer of interests in a Lexington Fund pursuant to the applicable Governing Documents, or is asked to identify potential purchasers in connection with any such secondary transfer, Lexington will do so in its sole discretion, generally taking into account certain factors that it deems relevant, which may include: Lexington's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations; whether the potential purchaser meets the suitability standards (e.g., sophistication, no need for liquidity) for investors in the Lexington Fund; Lexington's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide, indirectly, longer-term benefits to current or future Lexington Funds and/or Lexington and the expected amount and nature of negotiations required in connection with the potential purchaser's investment; whether the potential purchaser would subject Lexington, the applicable Lexington Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens; the potential purchaser's investment into another Lexington Fund (including any commitment into a future fund); whether the potential purchaser is a competitor of Lexington, a Lexington Fund, or any of their affiliates; any requirements in such Lexington Fund's Governing Documents; and any such other facts as it deems appropriate under the circumstances in exercising such discretion. In light of the Lexington Funds' strategies, Lexington may be incentivized to seek that any proposed sale of an interest in a Lexington Fund be made to another Lexington Fund. Lexington will typically have sole discretion to consent or not consent to the transfer of any interest in a Lexington Fund.

### *Leverage and Affiliate Transactions*

In certain instances, a Lexington Fund and/or SPV will use leverage (up to certain limits) to finance portfolio investments in a manner consistent with its Governing Documents. The use of leverage may involve a high degree of financial risk. Borrowings by a Lexington Fund and/or SPV have the potential to enhance overall returns that exceed the cost of funds; however, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the cost of funds. Borrowings repaid out of proceeds received from investments by a Lexington Fund generally will not be deemed distributions to or capital contributions from the investors in such Lexington Fund, in which case such proceeds will not be considered investment proceeds under such Lexington Fund's Governing Documents and will neither increase nor decrease unpaid commitments. In addition, borrowings are in some cases secured by investors' capital commitments to a Lexington Fund as well as by the assets of the applicable Lexington Fund and subsidiary SPVs, and the documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such borrowing. Moreover, from time to time, counterparties to transactions in which a Lexington Fund participates (including counterparty sellers, lenders or other credit providers) may require a Lexington Fund to guarantee, or otherwise be liable for, the obligations of (including loans and other extensions of credit to and hedging and other derivative transactions entered into by) other Lexington Funds, accounts, co-investment vehicles, current or prospective portfolio investments (or any subsidiary thereof), or any SPV formed to effect the acquisition thereof or participating in similar transactions.

Many Lexington Funds utilize revolving credit facilities on a long-term basis in advance of calling capital from investors. For administrative convenience, capital calls are from time to time made in "batches" of larger, less frequent capital calls, with a Lexington Fund's interim capital needs coming from its credit facility. Batching capital calls can increase the risk of potential defaults by investors as a result of there being larger capital calls. To the extent a credit facility obligation is due upon demand by a lender, such a demand may be issued at a time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of liquidity constraints and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Finally, the existence of a credit facility may impair an investor's ability to transfer its interest in a Lexington Fund as a result of restrictions imposed on such transfers by the lender. Typically the interest rate on a revolving credit facility is less than the rate of the preferred return and the preferred return does not accrue on such borrowings (and only accrues on capital contributions when made). As a result, use of a credit facility (or other long-term leverage) generally will result in a higher reported IRR than if the facility had not been utilized in lieu of capital contributions, may reduce or eliminate the preferred return received by investors, and may accelerate or increase distributions of carried interest to the general partner of the applicable Lexington Fund. Therefore, Lexington has an incentive to cause Lexington Funds to borrow under their credit facilities and hold such borrowings outstanding in lieu of calling capital from investors. Lexington may benefit from operating the Lexington Funds in this manner, and the general partner of the applicable Lexington Fund may receive disproportionate benefits from such borrowings.



If a Lexington Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all partners in such Lexington Fund on a pro rata basis, including the general partner. Borrowings incurred or guarantees made by a Lexington Fund are in some cases made on a joint, several, joint and several or cross-collateralized basis (which may include cross-guarantees and/or be on an investment-by-investment or portfolio-wide basis) with other Lexington Funds or related vehicles. Cross-guarantees would typically result in the applicable Lexington Fund being solely liable with respect to its own and any other relevant vehicle's share of the applicable obligation and would require such Lexington Fund to contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such other relevant vehicle is unable to repay its pro rata share of such indebtedness. In such situations it is not expected that such Lexington Fund would be compensated for being primarily liable for such obligations. In other circumstances, lenders and other market participants could seek "cross default" rights under which a Lexington Fund could be treated as in default under the relevant facility in the event of a default by another Lexington Fund or a Lexington affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, a Lexington Fund's limited partners could suffer adverse effects resulting from a default by another Lexington Fund or a Lexington affiliate.

Borrowing by a Lexington Fund will generally be secured by capital commitments made by the investors to such Lexington Fund and/or by such Lexington Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Lexington Fund-level borrowing.

#### *Investments with Less Established Sponsors*

A Lexington Fund is likely to invest a portion of its assets in the funds of less established sponsors. Investments related to such sponsors may involve greater risks than are generally associated with investments with more established sponsors. Less established sponsors tend to have fewer resources, and therefore, are often more vulnerable to failure. Such sponsors also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. In addition, less mature sponsors could be deemed to be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any sponsor related to a Lexington Fund investment, the Lexington Fund could suffer a partial or total loss of capital invested in such investment. There can be no assurance that any such losses will be offset by gains (if any) realized on such Lexington Fund's other assets.

#### *Illiquidity of Investments by the Lexington Funds*

A Lexington Fund may not be able to liquidate a particular interest in an Investment Fund or directly held security at the time and upon the terms it desires. Further, the timing of distributions received by the Lexington Funds from the Investment Funds, if any, will likely be at the discretion of such Investment Funds' management and may not occur at a time that is desirable. Distributions received by the Lexington Funds from the Investment Funds can be in the form of securities. If a Lexington Fund holds securities, in many cases such Lexington Fund will engage, or cause an SPV to engage, in various hedging transactions, including the

purchase and sale of derivative securities which may involve borrowings or guarantees. Unanticipated changes in interest rates, securities prices, currency exchange rates, or other factors could result in losses to such Lexington Fund and its investors.

#### *Lack of Liquidity of Interests in the Lexington Funds*

Investors and prospective investors should be aware of the long-term nature of their investments in the Lexington Funds. There is not now and will not be a public market for interests in the Lexington Funds. Interests in the Lexington Funds may not be assigned, transferred or encumbered without the prior written permission of the general partner of the applicable Lexington Fund. Lexington is under no obligation to facilitate or approve transfers and may reject transfers for any or no reason, and Lexington may be incentivized to seek that any proposed sale of an interest in one Lexington Fund be made to another Lexington Fund. Accordingly, an investor may not be able to liquidate its investment and must be prepared to bear the risks of owning its interest for an extended period of time. An investment in a Lexington Fund is suitable only for sophisticated investors who do not require liquidity for their investment. The inability to transfer interests in the Lexington Funds may limit the availability of estate planning strategies. The Lexington Funds' interests are not and will not be registered under the Securities Act or under the various "Blue Sky" or securities laws of the state or jurisdiction of residence of any Lexington Fund investor. The timing of distributions to investors from the Lexington Funds, if any, will depend in substantial part on the timing of distributions, if any, received by the Lexington Funds from the Investment Funds and/or other investments, and will be unpredictable.

#### *Reliance on Management*

All decisions with respect to the management of a Lexington Fund and the investments of a Lexington Fund will be made by the general partner of such Lexington Fund and/or its affiliates, and thus investors must rely on the ability of such Lexington Fund's general partner and/or its affiliates to make appropriate investments for such Lexington Fund and to manage and dispose of such investments. It is possible that the general partner of a Lexington Fund and/or its affiliates will be unable to find a sufficient number of attractive opportunities to meet such Lexington Fund's investment objectives. In addition, the timing and form of distributions from the Lexington Funds will be subject to the discretion of the general partners. Investors will generally have no right or power to participate in the affairs or investment activities of a Lexington Fund or to replace its general partner. Accordingly, no person should purchase an interest in a Lexington Fund unless such person is willing to entrust all aspects of the management of such Lexington Fund and the investments of such Lexington Fund to the Lexington Fund's general partner and/or its affiliates.

#### *Dependence on Key Personnel*

The success of the Lexington Funds will be highly dependent on the expertise and performance of Lexington's investment team. There can be no assurance that the members of the investment team will continue to be associated with the respective general partners of the Lexington Funds or any of their affiliates throughout the life of the Lexington Funds. The loss of certain of these individuals could have a significant adverse impact on the business of the Lexington Funds.

Except to the extent set forth in the applicable Governing Documents, investors in the Lexington Funds will have no recourse in the event that any of these individuals ceases to perform services for the Lexington Funds. Investors are not expected to be permitted to withdraw commitments or investments in the Lexington Funds as a result of the departure of one of the professionals responsible for the activities of the Lexington Funds, and any remedies available to investors in a Lexington Fund are limited to those set forth in such Lexington Fund's Governing Documents.

*Franklin Templeton; Change of Control*

Lexington Partners L.P. has sold 100% of the equity in Lexington Partners L.P. to Franklin Resources, Inc., a global investment management organization that, together with its affiliates, engages in a broad spectrum of activities including financial, advisory, investment and other activities. Many of the potential conflicts of interest described herein with respect to a Lexington Fund in relation to Lexington, its related entities and persons and other Lexington Funds apply in a substantially similar manner with respect to a Lexington Fund in relation to Franklin Templeton and its related investment advisors and investment funds, clients and portfolio companies, which could have interests that conflict with those of a Lexington Fund. For example, Franklin Templeton, its affiliates and its investment funds or accounts could make investments otherwise suitable for certain Lexington Funds (or, in some cases, certain Investment Funds), and Lexington is under no obligation to allocate any portion of such investment opportunities to those Lexington Funds (and Franklin Templeton is under no obligation to inform Lexington of any such opportunities), which may result in the Lexington Funds not participating in certain opportunities (in whole or in part) in a different manner than would otherwise have been the case, which could, in turn, have an adverse effect on a Lexington Fund's performance. In addition, a Lexington Fund or Investment Fund could invest in investment funds (or operating companies) affiliated with Franklin Templeton, including in secondary transactions. It is also possible that Franklin Templeton clients or portfolio companies, on the one hand, and Lexington Funds, Investment Funds or their portfolio companies, on the other hand, could compete for investment or business opportunities and could invest in different levels of the same company's capital structure, which could lead to conflicts of interest. More generally, Franklin Templeton may give advice to its clients or portfolio companies that may cause them to take actions adverse to a Lexington Fund investment.

Franklin Templeton has the potential to earn fees and other compensation (in cash or in the form of securities or other consideration) from or in connection with Lexington Fund investments (or the portfolio companies of Investment Funds) as compensation for services, including in circumstances where clients of Franklin Templeton have interests that conflict with those of a Lexington Fund, and to earn fees and other compensation in connection with unconsummated Lexington Fund transactions. Franklin Templeton also provides a broad range of financial and other services to entities that, from time to time, are expected to include entities in which a Lexington Fund invests (or to the portfolio companies of Investment Funds), directly or indirectly, or potentially the Lexington Funds themselves, and Franklin Templeton generally will be paid fees and other compensation (which may include warrants or other securities) for such services. Other than fees earned in connection with investments (i.e., in connection with a Lexington Fund's deployment of capital, as opposed to fees for services

provided by Franklin Templeton to portfolio investments of Lexington Funds (or the portfolio companies of any Investment Funds) from time to time), none of Franklin Templeton's fees for any of the foregoing will be shared with Lexington Funds or reduce Advisory Fees and any sharing will be solely to the extent expressly set forth in the particular Lexington Fund's Governing Documents. Franklin Templeton also expects from time to time to derive certain ancillary benefits by virtue of its ownership of Lexington, which has the potential to enhance Franklin Templeton's relationships with various parties, such as sponsors of private equity funds (including sponsors of Investment Funds) or other financial institutions, and may lead to additional business for Franklin Templeton, and the value of any such benefits (to the extent such value could be ascertained) will not reduce Advisory Fees.

Moreover, Lexington and Franklin Templeton could, in the future, enter into additional transactions and arrangements that could give rise to other potential conflicts of interest with respect to the Lexington Funds.

#### *Risks Related to Commitment Strategy*

In many cases, the general partner of a Lexington Fund expects an Investment Fund to draw down less capital than such Lexington Fund has committed to such Investment Fund. If the general partner decides it is in the best interest of the Lexington Fund to fully deploy the total capital commitments of such Lexington Fund's investors, the general partner will make aggregate commitments to Investment Funds that exceed the aggregate capital commitments of investors to such Lexington Fund. Although each Lexington Fund will monitor cash flow projections closely, there can be no assurance that each such Lexington Fund will be able to meet all of its commitments to the Investment Funds or otherwise successfully implement its commitment strategy. If a Lexington Fund is not able to meet all of its commitments to the Investment Funds, such Lexington Fund may be subject to penalties arising under the terms of its contractual commitments with respect to its investments in Investment Funds, including, without limitation, being required to sell its interest in an Investment Fund or forfeiting a portion of its investment in an Investment Fund. In such cases, such Lexington Fund's return from such Investment Fund could be materially lower than it would have been had the Lexington Fund been able to meet all of its commitments.

#### *Reliance on Sponsors and Management of Investment Funds*

The Lexington Funds typically invest in third party-sponsored Investment Funds (although Lexington Funds also invest in other Lexington Funds from time to time). A Lexington Fund will usually not have an active role in the management of such funds or their portfolio investments and therefore will not have the opportunity to evaluate the specific investments made by any such fund after the Lexington Fund's date of investment. Moreover, the Lexington Funds will likely not be able to dispose of their investments in any such funds despite poor performance. The returns of the Lexington Funds will depend significantly on the performance of these unrelated sponsors and could be substantially adversely affected by their poor performance. Additionally, Lexington will generally not be in a position to change an unrelated sponsor's approach. Similarly, Lexington will typically not be able to negotiate the level of any fee offsets and will not be responsible for determining whether sponsors are correctly calculating fees or fee offsets. Lexington may not always receive full information

from sponsors because certain of this information may be considered proprietary. The lack of access to information may make it more difficult for Lexington to select and evaluate potential investments.

There can be no assurance that existing management teams, or any successors, will operate the Investment Funds in accordance with Lexington's plans or expectations. The returns of the Lexington Funds will depend in large part on the performance of these unrelated investment managers and could be substantially adversely affected by the unfavorable performance of a small number of investment managers. Additionally, Investment Funds need to attract, retain, and develop executives and members of their management teams. The market for executive talent can be, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that Investment Funds will be able to attract, develop, integrate, and retain suitable members of their management teams and, as a result, the Lexington Funds may be adversely affected.

In addition, at times, the Lexington Funds' investment opportunities will require rapid execution, and investment analyses and decisions by the general partners of such Lexington Funds frequently will be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the general partners at the time an investment decision is made can be limited, and the general partners at times will not have access to detailed information regarding some or all of the Investment Funds under consideration. Therefore, no assurance can be given that the general partners will have knowledge of all circumstances that could adversely affect an Investment Fund. In addition, a general partner will from time to time seek input from independent consultants in connection with its evaluation and/or diligence of certain proposed Investment Funds. No assurance can be given as to the accuracy or completeness of the information provided by such independent consultants, and it is possible that the Lexington Funds will incur liability as a result of such consultants' actions.

#### *Holding Vehicles and Special Purpose Vehicles*

Lexington expects in many cases to pool the Investment Fund interests of a Lexington Fund (and, where applicable, its parallel funds and related special accounts and co-invest vehicles) into holdings vehicles or special purpose vehicles, and it is possible that a Lexington Fund will hold a majority or substantially all of its Investment Fund interests in a single special purpose vehicle. Such special purpose vehicles will be the direct holders of such Investment Fund interests, and the Lexington Fund will not hold separate, direct interests in Investment Funds. The use of such special purpose vehicles gives rise to risks that would not otherwise be present. For example, a Lexington Fund's interests in such Investment Funds will be exposed to risks as a result of a default by investors in related special accounts or other vehicles or accounts that invest alongside such Lexington Fund, and such risks would not be present if the Lexington Fund owned its interests in such Investment Funds directly, and separately from such other investors. In addition, if such a special purpose vehicle defaults on its obligations with respect to one Investment Fund, the other assets of such special purpose vehicle will be exposed to risks as a result of such default. In some cases, a Lexington Fund will make an investment through a special purpose vehicle that such Lexington Fund shares with one or more other Lexington Funds or investment vehicles that are not participating in the relevant

investment. In such cases, the foregoing risks will similarly apply to such other Lexington Fund(s) and/or investment vehicle(s), notwithstanding that they have no interest in the relevant investment. In certain circumstances, depending on the jurisdiction of organization, applicable tax treaties and other tax, legal or business considerations, an SPV through which multiple Lexington Funds invest may not provide for complete segregation of assets and liabilities in respect of the applicable Lexington Funds holding investments through such SPV. Accordingly, if any Lexington Fund were unable to meet all of its commitments to the Investment Fund or other investment in which it holds an interest through an SPV, such Lexington Fund's other investments held through such SPV and other Lexington Funds that hold investments through such SPV could be adversely affected.

In addition, to the extent that Lexington establishes an SPV beneath a Lexington Fund to hold directly or indirectly one or more investments (including investments acquired in separate transactions), proceeds received by such SPV from one investment which it holds may be applied to satisfy obligations in respect of one or more other investments held by such SPV. Proceeds may also be used to pay (directly or indirectly via the Lexington Fund) the Lexington Fund's obligations under its revolving credit facility (including the payment of principal, interest, fees and expenses related thereto), and thereafter such SPV may re-borrow (directly or indirectly via the Lexington Fund) from the facility to satisfy obligations in respect of the investment that generated such proceeds or one or more other investments. The receipt, use and recontribution by such SPV of any such proceeds (whether utilized and re-contributed within one such holding vehicle or transferred to one or more other holding vehicles) shall not be considered distributions received by, or contributions made by, the Lexington Fund or its investors for certain purposes under its Governing Documents (including, for example, that such proceeds would not reduce or increase, as the case may be, the unfunded commitment of any investor or be subject to any preferred return or be subject to any requirements under the Governing Documents with respect to the timing of distribution of proceeds) and may result in higher or lower reported multiples than if such proceeds had otherwise been distributed (or deemed distributed) to the Lexington Fund or its investors. The use of special purpose vehicles and holding vehicles may permit the general partner of a Lexington Fund to make more investments than would otherwise be the case, and such general partner could be incentivized to do so given the potential to receive more Advisory Fees and carried interest as a result thereof. Lexington does not intend to provide investors with distribution notices or drawdown notices for amounts held and reinvested by special purpose vehicles in the same manner as it would for amounts held and reinvested by the Lexington Funds. Moreover, significant amounts of cash are held in such holding vehicles for purposes of satisfying ongoing and potential obligations to Investment Funds, and this approach can have adverse impacts on the Lexington Funds. For example, cash may be held in such holding vehicles in lieu of applying such cash to reduce a Lexington Fund's outstanding borrowings (which would otherwise lower the interest expenses borne by such Lexington Fund). For the avoidance of doubt, any borrowings by such special purpose vehicles (and/or pledging of their assets) are not subject to the borrowing or other limitations in the Governing Documents of the relevant Lexington Fund, notwithstanding the proportion of such Lexington Fund's assets held by any such special purpose vehicle.

### *Multiple Levels of Expense*

The Lexington Funds and the Investment Funds impose performance-based allocations or fees, management charges, and other expenses. Moreover, Lexington from time to time in its discretion causes the Lexington Funds to invest in Investment Funds that charge fees and carried interest and also (directly or indirectly) invest in underlying investment funds (or other investment vehicles) that themselves charge fees and carried interest. Such fees and expenses will result in greater expense than if investors of a Lexington Fund were able to invest directly in the Investment Funds or the portfolio companies of such Investment Funds. Fees and expenses of the Lexington Funds and the Investment Funds in which the Lexington Funds invest will generally be paid regardless of whether the Lexington Funds or the Investment Funds produce positive investment returns. From time to time, Lexington Funds purchase interests in other Lexington Funds, provided that in each case the sale or purchase is consistent with Lexington's fiduciary obligations to each relevant Lexington Fund. While Lexington endeavors at all times to act in the best interests of the Lexington Funds, investors should be aware that Lexington's receipt of compensation from each of the Lexington Funds and the contribution of additional capital by a Lexington Fund to another Lexington Fund creates a potential conflict of interest with respect to such transactions.

### *Financial Market Fluctuations*

General fluctuations in the market prices of securities and economic conditions generally can reduce the availability of attractive investment opportunities for the Lexington Funds and affect the Lexington Funds' ability to make investments and the value of the investments held by the Lexington Funds. Instability in the securities markets and economic conditions generally also can increase the risks inherent in the Lexington Funds' investments. Moreover, governmental measures undertaken in response to market turmoil (whether regulatory or financial in nature) could have a positive or negative effect on market conditions. There can be no assurance that the market will, in the future, become more liquid than it is at present and it may become more volatile. The ability to realize investments depends not only on portfolio investments and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. The duration and ultimate effect of market conditions and whether such conditions may worsen cannot be predicted and there can be no assurances that conditions in the financial markets will not worsen or adversely affect a Lexington Fund or one or more of a Lexington Fund's portfolio investments.

### *Stakes in Other Sponsors*

Lexington Funds have the ability to purchase interests in third-party asset managers (i.e., managers not affiliated with Lexington), and such transactions or ownership stakes could present conflicts of interest, for example if a Lexington Fund were to invest in or alongside an Investment Fund managed by such a third-party asset manager. There can be no assurance that such conflicts of interest will not have an adverse impact on the Lexington Funds.

### *Cybersecurity Risk*

Lexington, the Lexington Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Lexington Funds and their investors, despite the efforts of Lexington and the Lexington Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Lexington Funds and their investors. For example, unauthorized third parties, including activist, criminal, nation-state or terrorist actors, may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of Lexington, the Lexington Funds' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of Lexington's systems to disclose sensitive information in order to gain access to Lexington's data or that of the Lexington Funds or the Lexington Funds' investors. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, Lexington, the Lexington Funds, the Investment Funds and/or their portfolio companies may incur significant 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 Lexington's, the Lexington Funds', the Investment Funds' and/or their portfolio companies', and/or service providers' operations, including the ability to make distributions to limited partners, 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). A successful penetration or circumvention of the security of Lexington's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Lexington Funds, Lexington or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, Lexington may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation.

Similar types of operational and technology risks are also present for the Investment Funds and the Lexington Funds' direct portfolio company investments, which could have material adverse consequences for such Investment Funds and such direct portfolio company investments, and may cause the Lexington Funds' investments to lose value.

### *Data Protection Risk*

The Lexington Funds depend on Lexington to develop or procure and utilize appropriate systems for the Lexington Funds' activities, and Lexington and the Lexington Funds depend heavily upon computer systems to perform necessary business functions. Lexington's and the Investment Funds' information and technology systems and those of companies on which the Lexington Funds rely and in which the Lexington Funds invest are, just as with other



companies, vulnerable to potential damage or interruption from cyber-attacks (such as computer viruses, malicious software, infiltration or tampering by unauthorized persons, ransomware demands and denial of service attacks), security breaches (such as physical and electronic break-ins), network failures, computer and telecommunication failures, ransomware demands, denial of service attacks, usage errors by their respective professionals, power outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although Lexington has implemented, and the Investment Funds and (where applicable) portfolio companies likely will have implemented, various measures to manage risks relating to these types of events, if important systems are compromised, become inoperable for extended periods of time or cease to function properly, it likely would be necessary for Lexington, the Lexington Funds and/or an Investment Fund or portfolio company to make a significant investment to fix or replace them. Investment Funds may be invested in or otherwise involved with companies that have experienced cybersecurity events and/or that, given the rise of cybersecurity incidents, may become involved in future cybersecurity events. Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future (including as a consequence of the COVID-19 pandemic and the increased frequency of virtual working arrangements). The failure or inadequacy of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Lexington's, the Lexington Funds' and/or an Investment Fund's or portfolio company's operations and result in a failure to maintain capabilities essential to the Lexington Funds' operations and/or the security, confidentiality, and privacy of proprietary or sensitive data and information (including personal information of investors) that is processed and stored in, and transmitted through, the computer systems and networks of Lexington, the Lexington Funds, third parties on which the Lexington Funds rely or their respective downstream vendors. Such a failure could harm Lexington's, the Lexington Funds' and/or an Investment Fund's or portfolio company's reputation, subject any such entity and their respective affiliates to legal claims, and otherwise affect their business and financial performance.

If a significant number of Lexington's personnel were to be unavailable in the event of a disaster, Lexington's ability to effectively conduct the Lexington Funds' business could be severely compromised. In addition, there are increased risks relating to Lexington's reliance on its computer programs and systems if Lexington's personnel are required to work remotely for extended periods of time as a result of events such as an outbreak of infectious disease or other adverse public health developments or natural disasters, including an increased risk of cyber-attacks and unauthorized access to Lexington's computer systems.

Lexington's service providers are subject to the same electronic information security threats as Lexington. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the Lexington Funds, including information normally made available to investors, may become inaccessible and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed. Notwithstanding the diligence that Lexington performs on its service providers, there can be no assurance that Lexington will be able to identify all risks or fully and accurately assess the reliability of each service provider's systems.

The loss or improper access, use or disclosure of Lexington's or the Lexington Funds' proprietary information could cause Lexington or the Lexington Funds to suffer, among other things, financial loss, the disruption of their business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a negative effect on the Lexington Funds.

There are certain costs (e.g., on-line time) and possible risks (e.g., slow downloading time, system outages and documents being quarantined in "fire walls") associated with electronic delivery. Moreover, Lexington cannot provide any assurance that these communication methods are secure and will not be responsible for any security breaches, computer viruses, problems or malfunctions resulting from any computer viruses or other problems that may be associated with the use of an internet based system.

#### *Hedging Arrangements*

The Lexington Funds and the Investment Funds and/or their portfolio companies in many cases employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while a Lexington Fund may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for the Lexington Fund than if it or the Investment Funds and portfolio companies in which the Lexington Fund invests had not entered into such hedging transactions.

#### *Impact of Government Regulation, Reimbursement and Reform*

Certain industry segments in which a Lexington Fund or an Investment Fund may invest are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While each Lexington Fund intends to invest in companies that seek to comply with applicable laws and regulations, and/or in Investment Funds that similarly intend to invest in such companies, the laws and regulations relating to certain industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a Lexington Fund or Investment Fund may invest.

Additionally, the SEC has proposed and enacted significant rules that will impact the business of Lexington and the Lexington Funds. In particular, the SEC has adopted a number of new rules that impose changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional rules in the future. Such current and future rulemaking is expected to impact Lexington and its affiliates, the Lexington Funds and/or their

investments, and considerable time and resources are expected to be required to comply with the new regulations.

### *General Tax Considerations*

An investment in a Lexington Fund may involve complex tax considerations that will differ for each investor, and there may be delays in distributing important tax information to investors (including the distribution of U.S. Schedule K-1s or their equivalent). In addition, Lexington Funds will take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. Should the U.S. Internal Revenue Service (“IRS”) or another tax authority successfully challenge any such positions, a partner or Lexington Fund might be found to have a different tax liability for that year than that reported on its tax return.

### *Recent Developments in the Banking Sector*

Recent bank closures in the United States have caused uncertainty for financial services companies and fear of instability in the global financial system generally. In addition, certain financial institutions – in particular smaller and/or regional banks – have experienced volatile stock prices and significant losses in their equity value, and there is concern that depositors at these institutions have withdrawn, or may withdraw in the future, significant sums from their accounts at these institutions. Notwithstanding intervention by U.S. governmental agencies to protect the uninsured depositors of banks that have recently closed, there is no guarantee that the uninsured depositors of a financial institution that closes (which depositors could include the Lexington Funds and/or the Investment Funds or the sponsors thereof) will be made whole or, even if made whole, that such deposits will become available for withdrawal in short order. There is a risk that other banks, or other financial institutions, may be similarly impacted, and it is uncertain what steps (if any) regulators may take in such circumstances. As a consequence, for example, the Lexington Funds and/or the Investment Funds may be delayed or prevented from accessing money, making any required payments under their own debt or other contractual obligations or pursuing key strategic initiatives, and limited partners may be impacted in their ability to honor capital calls and/or receive distributions. In addition, such bank failures or instability could affect, in certain circumstances, the ability of both affiliated and unaffiliated joint venture partners, co-lenders, syndicate lenders or other parties to undertake and/or execute transactions with the Lexington Funds, which in turn may result in fewer investment opportunities being made available to the Lexington Funds, result in shortfalls or defaults under existing investments, or impact the Lexington Funds’ ability to provide additional follow-on support to underlying sponsors. In addition, in the event that a financial institution that provides credit facilities and/or other financing to a Lexington Fund or an Investment Fund and/or its portfolio companies closes or experiences distress, there can be no assurance that such bank will honor its obligations or that the Lexington Fund, Investment Fund, or portfolio companies will be able to secure replacement financing or capabilities at all or on similar terms. There can be no assurances that the Lexington Funds, the Investment Funds or portfolio companies will establish banking relationships with multiple financial institutions, and the Lexington Funds, Investment Funds and portfolio companies are in many cases expected to be subject to contractual obligations to maintain all or a portion of their respective assets with a particular bank (including, without limitation, in connection with a credit facility or other financing transaction). Uncertainty caused by recent bank failures –

and general concern regarding the financial health and outlook for other financial institutions – could have an overall negative effect on banking systems and financial markets generally. These recent developments may also have other implications for broader economic and monetary policy, including interest rate policy. For the foregoing reasons, there can be no assurances that conditions in the banking sector and in global financial markets will not worsen and/or adversely affect the Lexington Funds, Lexington, the Investment Funds and their portfolio companies, or their respective financial performance.

#### *Secondary Valuations*

There is no established market for secondary private equity partnership interests or for the privately-held portfolio companies of private equity sponsors, and there are not likely to be any comparable companies for which public market valuations exist. In addition, under limited circumstances, Lexington may not have access to all material information relevant to a valuation analysis. For example, the sponsors of Investment Funds are not generally obligated to update any valuations in connection with a transfer of interests on a secondary basis, and such valuations may not be indicative of current or ultimate realizable values. As a result, the valuation of Investment Funds in which the Lexington Funds invest may be based on imperfect information and is subject to inherent uncertainties.

#### *Cayman Islands Regulatory Oversight*

Certain Lexington-sponsored investment vehicles established in the Cayman Islands, including certain alternative investment vehicles and intermediate entities established in the Cayman Islands, have registered or will be required to register and be regulated as private funds under the Private Funds Act (as amended) (the “Private Funds Act”) of the Cayman Islands. Once an investment vehicle is registered as a private fund, the Cayman Islands Monetary Authority (the “Authority”) will have supervisory and enforcement powers to ensure such vehicle’s compliance with the Private Funds Act, which will add costs to the legal, operational and compliance obligations of the relevant Lexington Funds. The Authority may take certain actions if it determines that a regulated private fund has breached or is at risk of breaching any of its obligations under the Private Funds Act. The powers of the Authority include the power to require the substitution of the operator of such vehicle, to appoint a person to advise such vehicle on the proper conduct of its affairs or to appoint a person to assume control of the affairs of such vehicle, in certain circumstances set out in the Private Funds Act. There are other remedies available to the Authority including, inter alia, the ability to cancel the registration of the vehicle and to apply to the court for approval of other actions.

#### *China National Security Law*

The Chinese government has continued to increase its control over the historically autonomous administrative region of Hong Kong. In June 2019, protests began in connection with an amendment to Hong Kong’s extradition law and continued with increased size and intensity through the end of 2019 and into 2020. These protests resulted in disruptions to businesses in major business and tourist areas of Hong Kong and pushed Hong Kong’s economy into a recession for the first time since the global financial crisis. On June 30, 2020, the National People’s Congress of China passed a national security law (the “National Security Law”),

which criminalizes certain offenses including secession, subversion of the Chinese government, terrorism and collusion with foreign entities. The National Security Law also applies to non-permanent residents. Although the extra-territorial reach of the National Security Law remains unclear, there is a risk that the application of the National Security Law to conduct outside Hong Kong by non-permanent residents of Hong Kong could limit the activities of or negatively affect Lexington, the Lexington Funds or the Investment Funds or underlying portfolio companies.

The National Security Law has been condemned by the United States, the United Kingdom and several EU countries. On July 14, 2020, the United States signed into law the Hong Kong Autonomy Act (“HKAA”), which introduces sanctions on foreign persons who have “materially contributed” to the Chinese government’s recent actions in Hong Kong as well as on certain foreign financial institutions. Simultaneously, the United States issued an executive order declaring a national emergency with respect to the threat posed by the Chinese government’s actions in Hong Kong, formally suspending or eliminating any differential treatment of Hong Kong under U.S. law, including export control law, and authorizing sanctions on persons determined to be engaged in a broad array of anti-democratic or repressive activity. The United States has also imposed sanctions on senior Chinese officials and certain employees of Chinese technology companies that it believes have contributed to the Chinese government’s activities in Hong Kong, including on July 20, 2020, adding 11 new Chinese companies to the Department of Commerce’s Entity List. In mid-July the United Kingdom also suspended its extradition treaty with Hong Kong and extended its arms embargo on China to Hong Kong. Escalation of tensions resulting from the National Security Law and the response of the international community, including conflict between China and other countries like the United States and United Kingdom, protests and other government measures, as well as other economic, social or political unrest in the future, could adversely impact the security and stability of the region and may have a material adverse effect on countries in which Lexington, the Lexington Funds, or the Investment Funds invest or any of their respective personnel or assets are located. In addition, any downturn in Hong Kong’s economy could adversely affect the financial performance of the Lexington Funds and their investments, or could have a significant impact on the industries in which Lexington participates, and may adversely affect the operations of Lexington and the Investment Funds and operating companies in which they invest, including the retention of investment professionals located in Hong Kong.

#### *Public Health Emergencies*

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have and are resulting in market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Lexington Funds.

In an effort to contain such health emergencies, national, regional and local governments, as well as private businesses and other organizations, have taken or have the potential to take restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-

at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. Any such measures have the potential to significantly diminish economic production and activity of all kinds and contribute to volatility in financial markets, demand across categories of consumers and businesses, as well as in the credit and capital markets. Restrictive measures, whether on an initial or re-imposed basis, also have the potential to cause labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, increases in unemployment levels, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Lexington Funds. The extent of the impact on the Lexington Funds’, the Investment Funds’ and their portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Lexington Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Lexington Funds intend to pursue, all of which could adversely affect the Lexington Funds’ and the Investment Funds’ ability to fulfill their investment objectives. They may also impair the ability of the operating companies in which the Lexington Funds invest or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Lexington Funds, the Investment Funds and their portfolio companies, the general partners and Lexington may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

### *Russian Invasion of Ukraine*

In February 2022, the Russian military commenced an invasion of Ukraine, which remains ongoing. Subsequently, the United States, United Kingdom and European Union have announced various sanctions against Russia, and may impose further sanctions designed to target the Russian financial system or take other actions against Russia. In addition, a number of countries have banned Russian planes from their airspace. U.S. and allied countries have recently announced they are committed to taking steps to prevent certain Russian banks from

accessing international payment systems. Russia's invasion of Ukraine, the resulting displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on the economy and business activity globally (including in the United States and other countries in which the Lexington Funds invest), and therefore could adversely affect the performance of the Lexington Funds' investments. Furthermore, given the ongoing nature of the conflict between the two nations and its ongoing escalation (such as Russia's recent decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the Lexington Funds and the performance of their investments or operations, and the ability of the Lexington Funds to achieve their investment objectives.

### *Israel-Hamas Conflict*

An armed conflict is currently ongoing between Palestinian militant groups led by Hamas and Israel (the "2023 Israel-Hamas Conflict"). The current conflict between Israel and Hamas has escalated to a heightened level not seen in recent years and has the potential to escalate further. A further expansion of the hostilities between Israel and Hamas or other groups or States allied or sympathetic to Hamas could have significant international ramifications. The ongoing 2023 Israel-Hamas Conflict may have an adverse impact and result in losses to a Lexington Fund, including those described above and in the "Russian Invasion of Ukraine" risk factor herein. The 2023 Israel-Hamas Conflict has the potential to limit the ability of a Lexington 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) have the potential to cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy of a Lexington Fund. The ultimate impact of the 2023 Israel-Hamas Conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of a Lexington Fund or any particular industry, business, currency or investee country and the duration and severity of those effects, is impossible to predict.

### *United Kingdom Exit from the European Union*

As part of the process of the United Kingdom ("UK") leaving the European Union ("EU"), the EU and the UK agreed an EU-UK Trade and Cooperation Agreement ("FTA") that governs the trading relationship between the UK and the member states of the EU from and after January 1, 2021. Broadly, the FTA provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin, but is subject to both parties maintaining a level playing field in areas such as environmental protection, social and labor rights, investment, competition, state aid, and tax transparency.

UK regulated firms in the financial sector are adversely affected by these arrangements because the FTA does not provide for continued access by UK firms to the EU single market – although there is the possibility that in time, the UK may obtain a recognition of equivalence from the EU in certain financial sectors which would enable varying degrees of access to the EU market.

Similarly, notwithstanding zero tariffs and zero quotas on goods, market access for those firms that conduct cross-border trade in goods will fall below what the single market previously allowed. Non-tariff barriers, customs declarations, customs checks, restrictions on movements of employees, withdrawal of recognition of previously recognized professional qualifications, changes in the status of the UK vis-à-vis the EU for tax and VAT purposes, and other sources of friction have the potential to impair the profitability of a business, require it to adapt, or even relocate to operate through an establishment in the EU.

It will take some time to observe the many and varied effects on UK businesses of the consequences of leaving the single market and customs union (taking into account the flow of goods and services in both directions). Given the size and global significance of the UK's economy, uncertainty, at least in the near term, about the effect of the FTA on the day-to-day operations of those businesses that engage in the cross-border trade of goods or services between member states of the EU and the UK may be a continued source of currency fluctuations or have other adverse effects on international markets, international trade and other cross-border cooperation arrangements. The present uncertainty could therefore adversely affect the Lexington Funds, the performance of the Investment Funds and the Lexington Funds' ability to fulfill their investment objectives (especially if the Investment Funds include, or expose them to, businesses that have historically relied on access to the single market for their custom or that have historically relied on sourcing goods, materials or labor from the single market).

#### *Risks Associated with the European Union*

The long-term financial stability of the Eurozone remains uncertain and difficult to predict. The possibility of a sovereign default remains a risk in countries where gross government debt, as a percentage of gross domestic product, remains relatively high by comparison to other countries in the EU, and especially taking into account the extraordinary indebtedness incurred in managing the coronavirus pandemic. A particularly high level of government debt may be unsustainable for a country that has, and continues to endure, vulnerabilities such as weak fundamentals, weak economic growth and/or high unemployment and that has yet to implement or benefit from long-term economic reforms. A default on sovereign debt, although a remote risk, could have a material impact on economic conditions and market activity in the Eurozone and elsewhere in the EU. For example, default by a participating member state could contribute to the collapse of the Eurozone as it is constituted today, or possibly result in the defaulting member state ceasing to use the Euro as its national currency, or even provide a stimulus for one or more member states to withdraw from EU membership – any of which could have an adverse impact on the Lexington Funds. Moreover, any structural instability of the Eurozone could have negative implications for the European financial industry and the global economy as a whole because of counterparty risks, exposures and other “systemic” risks. A potential effect would be an immediate reduction of liquidity for particular investments in economically connected countries, thereby impairing the value of such investments. Uncertain economic conditions generally affect markets adversely. Volatility in the global credit markets typically makes it more difficult for issuers and borrowers to obtain favorable financing or refinancing arrangements that may be needed to execute the Lexington Funds' investment strategies. Uncertainty in the Eurozone could have an adverse effect on the Lexington Funds by affecting the performance of their investments (whether made in a country



that is at greater risk of default or in a country that is economically connected) and their ability to fulfill their investment objectives.

The stability of certain European financial markets has deteriorated and speculation as to the possibility of additional defaults by sovereign states in Europe in respect of their obligations has increased. Given current market conditions of relatively weak growth in many EU member states (which are expected to continue in the near to medium term), there is a risk that default of certain participating member states of the EU could lead to the collapse of the Eurozone as it is constituted today or that certain member states of the EU could cease to use the Euro as their national currency. Moreover, financial and economic developments in one EU member state could impact economic and financial conditions among other EU member states. Any such development could have an adverse effect on the Lexington Funds, the performance of the Investment Funds and the Lexington Funds' ability to effectively achieve their investment objectives. Any deterioration in the economic environment caused directly or indirectly by such a default is likely to have a direct effect on the creditworthiness of borrowers and/or issuers, thereby impacting the value of the Investment Funds generally and adversely affecting the Lexington Funds' ability to generate attractive risk-adjusted investment returns.

#### *Trade Policy*

The future of global free trade, and the approach of the U.S. government to tariffs and international trade policy generally (particularly in light of the recent presidential election), is uncertain. Some foreign governments have instituted tariffs on certain U.S. goods and have indicated a willingness to impose additional tariffs on U.S. products. Global trade disruption, significant introductions of trade barriers and bilateral trade frictions, together with any future downturns in the global economy resulting therefrom, could adversely affect the financial performance of the Lexington Funds.

#### *Weather and Climatological Risks*

As consensus builds that global warming is a significant threat, initiatives seeking to address climate change through regulation of greenhouse gas emissions have been adopted by, are pending or have been proposed before international, federal, state, and regional regulatory authorities. Climate change may cause more extreme weather conditions and increased volatility in seasonal temperatures, which can interfere with operations and increase operating costs, and damage resulting from extreme weather may not be fully insured. Many industries (e.g., electrical power, mining, manufacturing, transportation, and insurance) face various climate change risks, many of which could conceivably materially impact them. Such risks include (i) regulatory/litigation risk (e.g., changing legal requirements that could result in increased permitting and compliance costs, changes in business operations, the discontinuance of certain operations, and related litigation), (ii) market risk (e.g., declining market for products and services seen as greenhouse gas intensive); and (iii) physical risk (e.g., risks to plants or property owned, operated or insured by a company posed by rising sea levels, increased frequency or severity of storms, drought, and other physical occurrences attributable to climate change). These risks could result in unanticipated delays or expenses and, under certain

circumstances, could prevent completion of investment activities once undertaken, any of which could have an adverse effect on the Lexington Funds.

#### *Adequacy of Reserves*

As is customary in the industry, the Lexington Funds may establish holdbacks or reserves, including for estimated accrued expenses, Advisory Fees, pending or anticipated liabilities, investments, claims and contingencies relating to the applicable Lexington Fund. Estimating the appropriate amount of such reserves is difficult and inadequate or excessive reserves could impair the investment returns to investors. If a Lexington Fund's reserves are inadequate and Lexington is unable to draw down capital commitments or borrowings pursuant to the Governing Documents of such Lexington Fund, the Lexington Fund may be unable to take advantage of attractive investment opportunities, fulfill its obligations to Investment Funds or protect its existing investments. Further, the allocation of investment opportunities among the Lexington Funds may depend, in part, on their respective reserves at the time of allocating the relevant opportunity, possibly resulting in different investment allocations if any such reserves are inadequate or excessive.

#### *Distributions in Kind*

The Lexington Funds expect to make investments which may not be advantageously disposed of prior to the date the relevant Lexington Fund will be dissolved, either by expiration of the relevant Lexington Fund's term or otherwise. The Lexington Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of a Lexington Fund, its general partner (or the relevant liquidator) generally will be required to use its reasonable efforts to reduce to cash and cash equivalents such assets of such Lexington Fund as the general partner or such liquidator shall deem advisable to sell, subject to obtaining fair value for such assets and any tax, legal, contractual, market or other considerations (including legal restrictions on the ability of a limited partner to hold any assets to be distributed in kind), there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to a Lexington Fund's limited partners will occur, and this is likely to be the case for investments in Investment Funds, which are generally highly illiquid.

In connection with the winding up and dissolution of a Lexington Fund, the Lexington Fund may make distributions in-kind, including, in the form of portfolio investments that are not marketable or are otherwise illiquid (such as limited partnership interests in Investment Funds). At the time of such distribution, such portfolio investments will likely be subject to transfer restrictions limiting marketability. The ability of a Lexington Fund's limited partners to liquidate positions in such portfolio investments is subject to these risks, and such limited partners must be prepared to hold such portfolio investments for an extended period of time. The value of the portfolio investments distributed may increase or decrease before such portfolio investments are sold, and a limited partner will incur transaction costs in connection with the sale of any such portfolio investment. Additionally, portfolio investments distributed to a Lexington Fund limited partner may not be readily marketable or saleable and may have to be held by such limited partner for an indefinite period of time. The risk of loss and delay in liquidating these portfolio investments will be borne by the relevant limited partner, with

the result that such limited partner may ultimately receive less cash than it would have received if it had been paid in cash.

#### *Misconduct of Lexington Personnel and Third-Party Service Providers*

Lexington's reputation is critical to maintaining and developing relationships with existing and prospective investors, as well as with the numerous third parties with which Lexington and the Lexington Funds do business. In recent years, there have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry, and there is a risk that employee misconduct could occur with respect to the Lexington Funds. Misconduct by employees or by third-party service providers could cause significant losses to the Lexington Funds. Employee misconduct could include, among other things, binding the Lexington Funds to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in each case, would result in unknown and unmanaged risks or losses), or otherwise charging (or seeking to charge) inappropriate expenses to the Lexington Funds and/or Lexington. In addition, any improper use or disclosure of confidential information by employees and third-party service providers could result in litigation or serious financial harm, including limiting the Lexington Funds' business prospects or future activities. Furthermore, because of Lexington's diverse business entities and the regulatory regimes under which they operate, misdeeds by a Lexington entity (or its personnel) could result in foreclosing Lexington's ability to conduct its activities in the manner otherwise intended. It is not always possible to detect, deter and/or prevent misconduct by employees and/or service providers, and the precautions Lexington takes to detect and prevent this activity are not guaranteed to be effective in all cases. It is also the case that misconduct at the level of a company in which the Lexington Funds invest also could have a negative effect on such company, and potentially on the Lexington Funds and/or Lexington, and similar challenges in detection, deterrence and prevention apply, to an even greater degree, at such level.

#### **Item 9: Disciplinary Information**

Lexington and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

#### **Item 10: Other Financial Industry Activities and Affiliations**

##### *Registered Broker-Dealers*

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

##### *Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors*

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

### *Relationships with Related Persons*

Lexington is the sole owner of Lexington Advisors LLC (“Lexington Advisors”), an investment adviser registered with the SEC. Lexington provides sub-advisory, back-office, administrative and/or other services to Lexington Advisors and may receive advisory fee revenue from Lexington Advisors in connection with the investment advisory services provided by Lexington Advisors to its managed private investment funds. Moreover, Lexington is affiliated with Administradora Lexington Partners, S.C., Lexington Partners UK LLP, Lexington Partners Asia Limited, Lexington Partners Chile SPA, Lexington Partners Brazil Ltda., and Lexington Partners Luxembourg S.a.r.l. (collectively, the “Lexington Foreign Affiliates”), each of which provides certain consulting, advisory and/or sub-advisory services to Lexington and its affiliates from time to time. Lexington, Lexington Advisors and the Lexington Foreign Affiliates share compliance personnel, and the personnel of the Lexington Foreign Affiliates are subject to the same compliance policies and procedures and Code of Ethics requirements as the personnel of Lexington and Lexington Advisors (in addition to any other compliance requirements of applicable regulatory authorities in the Lexington Foreign Affiliates’ respective jurisdictions). Furthermore, various related entities of Lexington serve as general partners of the Lexington Funds.

Lexington manages a number of Lexington Funds that have investment objectives similar to each other. Lexington expects that it, Lexington Advisors or their personnel will in the future establish one or more additional investment funds and/or managed accounts with investment objectives substantially similar to, or different from, those of the current Lexington Funds. Allocation of available investment opportunities between the Lexington Funds and any such “successor” investment funds and/or managed accounts can give rise to conflicts of interest. Lexington expects from time to time to give advice or take actions with respect to the investments of one or more Lexington Funds that it does not or might not give or take with respect to other Lexington Funds with similar investment programs, objectives or strategies. For this and other reasons, Lexington Funds with similar strategies generally do not hold the same securities or achieve the same performance. In addition, it is expected that employees of Lexington responsible for managing a particular Lexington Fund will have responsibilities with respect to other Lexington Funds, including “successor” funds and other managed accounts. Potential conflicts of interest arise in allocating time, services or functions of these officers and employees.

Lexington will, from time to time, consider and reject an investment opportunity on behalf of one Lexington Fund and subsequently determine to have another Lexington Fund make an investment in the same opportunity. A potential conflict of interest arises in such circumstances because one or more Lexington Funds generally will benefit from the initial evaluation, investigation and due diligence undertaken by Lexington on behalf of the original Lexington Fund considering the investment. In such circumstances, the benefitting Lexington Fund(s) will not be required to reimburse the original Lexington Fund for expenses incurred, directly or indirectly, in connection with reviewing such investment.

In addition, in connection with Lexington’s services to the Lexington Funds, Lexington and Lexington Personnel expect to receive certain tangible and intangible benefits. For example, in the course of Lexington’s operations, including research, due diligence, investment

monitoring and investment activities, Lexington and Lexington Personnel expect to receive and benefit from various kinds of information, “know-how”, experience, analysis and data relating to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics (collectively, “Lexington Information”). In many cases, Lexington Information will include tools, procedures and resources developed by Lexington to organize or systematize data for ongoing or future use. In addition, Lexington Information is expected, in certain instances, to include information received or generated in connection with efforts on behalf of one Lexington Fund’s investment (or prospective investment) in a portfolio investment. As a result of receiving Lexington Information, Lexington believes it is generally better able to anticipate macroeconomic and other trends, and otherwise develop investment strategies. Lexington has in the past and is likely in the future to enter into information sharing and confidentiality arrangements with respect to the Lexington Funds’ portfolio investments and other sources of information that may limit the internal distribution and use of such information. Lexington has already used and is likely in the future in certain instances to use Lexington Information in a manner that may provide a material benefit to Lexington, its affiliates, or to certain other Lexington Funds without compensating or otherwise benefitting the Lexington Fund or Lexington Funds from whose investments such information was derived. In addition, Lexington may have an incentive to pursue investments based on the Lexington Information expected to be received or generated. Lexington has in the past and is likely in the future to utilize Lexington Information to benefit Lexington, its affiliates or certain Lexington Funds in a manner that otherwise has the potential to create a conflict of interest but does not intend to specifically disclose such conflicts to the relevant Lexington Funds.

Additionally, as discussed in the section titled “*Participation or Interest in Client Transactions; Personal Trading*,” Lexington and its related entities are, directly or indirectly, the general partners, limited partners and/or managing members of the general partner of each of the Lexington Funds, including the private investment funds managed by Lexington Advisors. Certain principals and related persons of Lexington spend substantially all of their business time on one or more of the Lexington Funds as required pursuant to the terms of each Lexington Fund’s Governing Documents. This has the potential to create conflicts in the allocation of time, resources and investment opportunities among the Lexington Funds. Investors are requested to refer to the Governing Documents of each Lexington Fund for complete information on the requisite time commitments of Lexington, Lexington Personnel, and Lexington’s related persons to such Lexington Fund.

As discussed above, Lexington is owned by Franklin Resources, Inc., which has various subsidiaries that provide financial services, including investment advisory and portfolio management services. See “Change of Control” above.

#### *Selection or Recommendation of Other Advisers*

As a secondary private equity manager, Lexington selects Investment Funds for its clients. From time to time, principals or related persons of the Investment Funds invest in the Lexington Funds. Lexington does not, however, receive compensation from the advisers of such Investment Funds in a manner that would create a material conflict of interest and does

not have other business relationships with other advisers that create a material conflict of interest.

Certain of Lexington's principals and/or related persons are invited from time to time to serve on the advisory boards of the Investment Funds in which the Lexington Funds invest to provide advice on certain conflicts of interest and other matters pertaining to such Investment Funds. There may be instances where such persons are asked to vote on issues taking the needs of all investors in such Investment Funds into account.

In limited circumstances, an investment by a Lexington Fund (or diligence with respect to a potential investment by such Lexington Fund) will cause Lexington and its related persons to become subject to legal or contractual restrictions on their ability to effect transactions for other Lexington Funds, for example due to the receipt of material non-public information.

Lexington has engaged consultants (including specialized consultants, external executives and industry roundtable members) and senior advisors located in key areas of interest. Lexington's advisors work in an advisory capacity with Lexington's professionals to leverage their strong local connections regarding market intelligence and investment-related resources. The nature of the relationship with each such advisor and the time devotion requirements of each such advisor may vary significantly. The Lexington Funds shall, in Lexington's discretion, bear their allocable share of the fees, costs, and expenses of such advisors. Such advisors are not employees of Lexington or the Lexington Funds, and therefore their compensation is in addition to advisory fees paid by the Lexington Funds. To the extent any such fees are paid by a Lexington Fund, they generally will not be offset against the Advisory Fee. Subject to applicable law, advisors engaged by Lexington may invest, participate, or engage in (for their own accounts or for the accounts of others), or may possess an interest in, other financial ventures and investment and professional activities of every kind, nature and description, independently or with others, including but not limited to: management of other investment partnerships; investment in, financing, acquisition or disposition of securities; investment and management counseling; providing brokerage and investment banking services; or serving as officers, directors, managers, consultants, advisors or agents of other companies, partners of any partnership, members of any limited liability company or trustees of any trust (and may receive fees, commissions, remuneration or reimbursement of expenses in connection with these activities), whether or not such activities conflict with any interest of Lexington, the Lexington Funds or their respective investors.

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

##### *Code of Ethics*

Lexington has adopted a Code of Ethics under Rule 204A-1 of the Advisers Act that is applicable to all of its members, partners, officers, directors (or other person occupying a similar status or performing similar functions), employees, and other persons who provide investment advice on behalf of Lexington and are subject to its supervision and control (collectively, "Lexington Personnel") expressing Lexington's commitment to ethical conduct. Lexington's Code of Ethics describes its fiduciary duties and responsibilities to its clients, and

sets forth, among other things, Lexington's policies on (i) receipt of gifts by employees, (ii) political contributions and (iii) reporting and monitoring of the personal securities transactions of Lexington Personnel with access to client investment recommendations. The Code of Ethics helps Lexington detect and prevent potential conflicts of interest. Under Lexington's Code of Ethics, all Lexington Personnel have a duty to act only in the best interests of the Lexington Funds and all potential conflicts and violations of the Code of Ethics must be promptly reported to Lexington's Chief Compliance Officer ("CCO"). All Lexington Personnel must acknowledge and adhere to the terms of the Code of Ethics. It is the expressed policy of Lexington that no person employed by Lexington shall prefer his or her own interest to that of an advisory client.

To supervise compliance with its Code of Ethics, Lexington requires that certain restricted persons provide annual securities holdings reports and quarterly transaction reports (or equivalent reports or acknowledgments) to the firm's Legal and Compliance group ("Compliance"), which includes the CCO. Lexington requires such "access persons" to also receive approval from Compliance prior to investing in any initial public offerings or private placements.

In an effort to prevent inappropriate securities transactions by Lexington's personnel, Compliance maintains and makes available a list of restricted securities. Access persons are strictly prohibited from trading on their own behalf in restricted securities without obtaining the prior written approval of Compliance.

Lexington requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. Lexington's Code of Ethics also includes the firm's policy prohibiting the misuse of material non-public information. Any individual not in observance of the above may be subject to discipline or termination.

Lexington Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Lexington Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Lexington Personnel are required to annually certify compliance with the Code of Ethics.

Lexington will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

#### *Participation or Interest in Client Transactions; Personal Trading*

As general partners, limited partners and/or managing members of the general partners of each of the Lexington Funds, Lexington and its related persons have indirect beneficial interests in the securities owned by the Lexington Funds and will share in any profits and losses generated by the Lexington Funds' investments. Before Lexington makes a recommendation that a Lexington Fund buy or sell a security, all related persons that have direct ownership of such security at the time of such recommendation and would otherwise be expected to participate in the discussions or authorizations concerning such recommendation, are required to disclose such ownership interest to Lexington and may not be permitted to participate in the discussions

or authorizations to recommend that a Lexington Fund buy or sell such security. A related person shall not be so restricted if such person's only interest in a security is (i) held indirectly through one of the Lexington general partner entities, the Lexington Funds or otherwise or (ii) related to such person's service as a director or advisor of a portfolio investment entity to facilitate Lexington's ability to monitor the investment.

Lexington and/or certain related persons of Lexington may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Lexington Funds in connection with certain "warehousing" or other principal transactions, provided that the sale is consistent with Lexington's fiduciary obligations to such Lexington Funds. Such transactions will be fully disclosed and the written consent of the applicable Lexington Fund (which, in certain circumstances, may be provided by the applicable Lexington Fund's advisory board) will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act (to the extent such transactions constitute "principal transactions") and all other applicable state and federal securities laws.

In certain situations, related persons of Lexington will be permitted to purchase interests in the same portfolio investments held by one or more Lexington Funds. All such transactions are subject to compliance with Lexington's Code of Ethics as described above.

Lexington reserves the right to cause a Lexington Fund to engage in a "cross transaction" via the purchase or acquisition of a limited partner (or equivalent) interest from or sale or transfer of a limited partner (or equivalent) interest to another Lexington Fund, provided that the transfer is consistent with Lexington's fiduciary obligations to each Lexington Fund participating in the cross transaction. These transactions can arise when, for example, parallel Lexington Funds and/or committed co-investment vehicles or managed accounts rebalance their portfolios at their final closing, or when a Lexington Fund has warehoused an investment prior to the initial closing of a separate Lexington Fund.

Lexington Funds also are permitted to acquire interests in other Lexington Funds from a Lexington Fund investor to the extent consistent with Lexington's fiduciary obligations and the applicable Governing Documents. These transactions can arise when, for example, a limited partner interest in a Lexington Fund is included in a larger secondary transaction pursued by a separate Lexington Fund.

From time to time, Lexington may also guarantee certain credit facilities entered into by a Lexington Fund or SPV to enable such Lexington Fund or SPV to acquire a portfolio of investments prior to holding an initial closing. In connection with such warehousing arrangements, Lexington will generally be reimbursed for its out-of-pocket costs and receive a backstop guaranty payment from the applicable Lexington Fund or SPV equal to a percentage of the principal amount of the credit facility. Investors are requested to refer to the Governing Documents of the applicable Lexington Fund for additional information on any such loan and warehousing arrangements applicable to such Lexington Fund.



While Lexington endeavors at all times to act in the best interests of the Lexington Funds, investors should be aware that Lexington's receipt of compensation from the Lexington Funds creates inherent potential conflicts of interest.

### *Conflicts of Interest*

Lexington and its related entities engage in a broad range of investment-related activities. In the ordinary course of conducting its activities, the interests of a Lexington Fund are expected, from time to time, to conflict with the interests of Lexington, other Lexington Funds and/or their respective affiliates. For example, the buyers and sellers of any Lexington Fund's investments will often be investors in Lexington Funds, and a Lexington Fund's investments in some cases include limited partnership interests in other Lexington Funds. For the avoidance of doubt, Advisory Fees paid by the Lexington Funds with respect to other Lexington Funds are not subject to any offsets. Additionally, Lexington Funds are from time to time investors in underlying funds that sell their assets to other Lexington Funds. While Lexington will seek to negotiate transactions in good faith and on an arm's length basis, the foregoing presents inherent conflicts of interest and there can be no assurance that there will not be an adverse impact on the Lexington Funds. For example, there can be no assurance that any Investment Fund interest or other asset acquired by a Lexington Fund from such a seller will not be valued or allocated a sale price that is higher than might otherwise have been the case if such asset were acquired from a third party (or lower than might otherwise have been the case if the Lexington Fund is selling to such a buyer). Lexington will not be required to solicit third-party bids or obtain a third-party valuation prior to causing a Lexington Fund to participate in such a transaction. These activities could give rise to potential conflicts of interest and there can be no assurance that such activities will not have a material adverse effect on the Lexington Funds.

### *Resolution of Conflicts*

In the case of all conflicts of interest, Lexington's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Lexington's best judgment, but in its sole discretion. In resolving conflicts, Lexington will consider various factors, including, without limitation, the interests of the applicable Lexington Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Governing Documents for the Lexington Funds;
- Lexington has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest;
- Many of the Lexington Funds have established an advisory board, consisting of representatives of investors not affiliated with Lexington. Lexington is required to obtain advisory board approval with respect to certain conflicts of interest pursuant to the relevant Lexington Funds' Governing Documents;

- Where Lexington deems appropriate, it can use unaffiliated third parties to help resolve conflicts or to provide input as to the fairness or “arm’s-length” nature of a purchase or sale price (whether or not part of a formal fairness opinion, “request for proposal” process, or proposal or quotation provided exclusively for the benefit of Lexington); and
- Prior to subscribing for interests in a Lexington Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Lexington Fund.

In certain instances, some conflicts of interest may be resolved in a manner adverse to a Lexington Fund and its ability to achieve its investment objectives.

#### *Diverse Membership*

The investors in the Lexington Funds generally include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax and other interests with respect to their investments in a Lexington Fund. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Lexington Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by Lexington or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors’ individual tax situations. In selecting and structuring investments appropriate for a Lexington Fund, Lexington and its affiliates will consider the investment and tax objectives of the applicable Lexington Fund as a whole, not the investment, tax or other objectives of any investor in such Lexington Fund individually.

#### *Purchase of Interests by Lexington*

The general partner of a Lexington Fund has the authority to consent to any transfer of all or a portion of an investor’s interest in the applicable Lexington Fund, including a transfer to such general partner or any of its affiliates. Any such transaction would present a conflict in that, by virtue of its role as such, the applicable general partner would be expected to possess more information and more detailed information regarding the Lexington Fund and its investments than the relevant investor.

There is no guarantee that any such general partner will consider (or if it does consider, will consummate) a transfer of all or any portion of an interest in a Lexington Fund from an investor in such Lexington Fund to the general partner or its affiliates, or that any such transfer will be available to investors generally. Investors should not expect that any such transfer will be available at any time.

### *Advisory Board Rights*

Many of the Lexington Funds have established an advisory board, consisting of representatives of investors not affiliated with Lexington. A conflict of interest may exist when some, but not all, investors are permitted to designate a member or a non-voting observer to a Lexington Fund's advisory board. An advisory board may also have the ability to approve conflicts of interest with respect to Lexington and the applicable Lexington Fund, which could be disadvantageous to the other investors, including those investors who are not invited or permitted to designate a member or a non-voting observer to the advisory board. It is anticipated that limited partners that designate representatives to participate on a Lexington Fund's advisory board will in certain circumstances, by virtue of such participation, have more or earlier information about such Lexington Fund and its investments than other limited partners of such Lexington Fund.

### *Other Conflicts*

To the extent that Lexington and its affiliates are entitled to receive different advisory fees or performance fees based on the type of investments made by a Lexington Fund, that arrangement creates a potential conflict of interest with respect to the characterization of certain investments and, as a result, Lexington in some cases has an incentive to characterize a "primary market" investment linked with a secondary transaction as a "secondary market" investment.

Lexington and the Lexington Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which potential conflicts of interest exist. Members of the law firms engaged to represent the Lexington Funds may be investors in a Lexington Fund and may also represent one or more underlying portfolio investments or investors in a Lexington Fund. In the event of a significant dispute or divergence of interest between Lexington Funds, Lexington and/or its affiliates, the parties may engage separate counsel in the sole discretion of Lexington and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, Lexington and the Lexington Funds engage other common service providers.

Certain advisors and other service providers or their affiliates (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms, and certain other advisors and agents) to Lexington, the Lexington Funds, the Investment Funds, or any of their affiliates also provide goods or services to or have business, personal, political, financial, or other relationships with Lexington and its affiliates. From time to time such advisors and service providers are expected to include: (i) Lexington or a related person or affiliate of Lexington, (ii) an entity with which Lexington or its affiliates or current or former members of their personnel have a relationship or from which Lexington or its affiliates or their personnel otherwise derive financial or other benefit, including for the avoidance of doubt an entity in which Lexington, an affiliate of Lexington or an individual associated with Lexington has an ownership interest; (iii) certain Lexington Fund investors or their affiliates; (iv) actual or potential sources of investment opportunities; or (v) co-investors or transaction counterparties. These relationships have the potential to influence Lexington in deciding whether to select or recommend such a service provider to perform services for the

Lexington Funds (the cost of which will generally be borne directly or indirectly by the Lexington Funds and their investors). Notwithstanding the foregoing, any such determination will be made in accordance with Lexington's fiduciary obligations to the Lexington Funds and investment transactions for the Lexington Funds that require the use of a service provider will generally be allocated to service providers on the basis of Lexington's judgment as to best execution, the evaluation of which includes, among other considerations, such service provider's provision of investment-related resources, research and/or other services or resources that Lexington believes to be of benefit to the Lexington Funds. Additionally, from time to time Lexington expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, one or more Lexington Funds. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to Lexington or its affiliates as compared to services provided to the Lexington Funds, which may result in more favorable rates or arrangements than those payable by the Lexington Funds. Moreover, Lexington from time to time engages in transactions with prospective and actual investors that entail business benefits to such investors (for example, financial service providers that may also invest in private investment funds such as the Lexington Funds). Such transactions may be entered into prior to or coincident with an investor's admission to a Lexington Fund or during the term of their investment. The nature of such transactions can be diverse and may include benefits relating to Lexington, the Lexington Funds, and/or their respective portfolio investments.

Lexington and its personnel have in the past and expect, from time to time in the future, to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Lexington Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Lexington Fund expenses may result in "miles" or "points" or credit in loyalty/status programs to Lexington and/or its personnel, and such rewards and/or amounts will exclusively benefit Lexington and/or such personnel and will not be shared with such Lexington Fund, its investors and/or its portfolio investments.

Lexington has in the past caused and expects, from time to time in the future, to cause one or more Lexington Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Lexington Fund(s), the applicable general partner(s), Lexington and/or their respective directors, officers, employees, agents, representatives, members of the advisory board and other indemnified parties, against liability in connection with the activities of the applicable Lexington Fund(s). This may include a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by Lexington that cover one or more Lexington Funds and/or Lexington (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). Lexington will make judgments about the allocation of premiums, fees, costs and expenses for such "umbrella" or other insurance policies among one or more Lexington Funds, and/or Lexington on what it believes to be a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Lexington Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

The Lexington Funds may, from time to time, enter into borrowing arrangements that require certain Lexington Funds to be jointly and severally liable for the repayment of obligations (including the execution of joint guarantees for such borrowings). If one Lexington Fund defaults on such an arrangement, the other applicable Lexington Funds are responsible for the defaulted amount. The Lexington Funds will only enter into such joint and several borrowing arrangements when Lexington determines it is necessary or in the best interests of the applicable Lexington Funds.

The sellers of investments will often be investors in Lexington Funds, and a Lexington Fund may acquire limited partnership interests in other Lexington Funds. While Lexington seeks to negotiate transactions in good faith and on an arm's length basis, the foregoing presents inherent conflicts of interest and there can be no assurance that there will not be an adverse impact on the applicable Lexington Funds.

Lexington Funds acquire interests in other Lexington Funds from time to time, either on a secondary basis via purchase from an investor in a Lexington Fund, directly pursuant to the offering of interests in a Lexington Fund, or indirectly via the purchase of a third-party Investment Fund that holds an interest in a Lexington Fund, in each case to the extent consistent with Lexington's fiduciary duties and to the extent not prohibited by the Governing Documents of the applicable Lexington Funds. These transactions can arise when, for example, a Lexington Fund interest is included in a larger secondary transaction pursued by a separate Lexington Fund. Subject to the Governing Documents of the applicable Lexington Funds, the advisory fees and carried interest indirectly paid (or otherwise borne) by a Lexington Fund as a limited partner in another Lexington Fund in which it acquires an interest on a secondary basis will not result in an offset of the acquiring Lexington Fund's own advisory fee or carried interest payable to Lexington. The potential for Lexington and/or its affiliates to receive advisory fees and carried interest from multiple Lexington Funds creates a conflict of interest with respect to any such acquisition.

In addition, as a consequence of Lexington's status as a subsidiary of a public company, the officers, managers and employees of Lexington may be asked to take into account certain considerations and other factors in connection with the management of the business and affairs of Lexington that would not necessarily be taken into account if Lexington were not a subsidiary of a public company, including Franklin Resources, Inc.'s need, as a public company, to generate value and returns for its shareholders.

The Governing Documents of the Lexington Funds establish complex arrangements among the Lexington Funds, Lexington, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Governing Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While Lexington will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Lexington Fund or its investors.

## **Item 12: Brokerage Practices**

Although Lexington typically does not utilize broker-dealers to effect portfolio investments, the Lexington Funds from time to time receive shares of certain companies as part of a general distribution in kind. Subject to the investment objectives, policies and restrictions of each Lexington Fund, as set forth in such Lexington Fund's Governing Documents, Lexington will generally have discretionary authority to select the broker or dealer to be used to execute transactions in securities on behalf of the Lexington Funds and negotiate the commission cost to be paid.

In selecting brokers, Lexington's primary consideration will be to obtain the most favorable net result for the applicable Lexington Fund under the circumstances, which will not always involve the lowest possible commission cost. In selecting broker-dealers to effect securities transactions, Lexington seeks to obtain best execution by considering factors including, but not limited to, the nature of the transaction, the size of the transaction, execution capability, execution costs, the level of service offered, responsiveness, financial responsibility and reliability, resources, experience in liquidating distributions from private equity funds, research services (such as reports and analyses of markets, industries, companies and economic trends) and such other factors as Lexington considers relevant and beneficial to the Lexington Funds. The applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple brokers or dealers.

### *Research and Soft Dollar Benefits*

Lexington does not engage in any formal soft dollar arrangements with respect to securities transactions for the Lexington Funds.

Any research services and/or other products or services that are provided to Lexington by brokers or dealers may be used for the benefit of all clients of Lexington and do not necessarily benefit solely the Lexington Fund from which the commissions were generated. Lexington has no commitment or arrangement to provide any specific level of commissions or transactions with respect to any proprietary research received. The receipt of research and/or other products or services is not directly connected to the recommendation of brokerage services to the Lexington Funds, but does create a potential conflict of interest of which investors should be aware in assessing Lexington's choice of broker-dealers.

### *Service Providers and Client Referrals*

Subject to Lexington's obligation to seek best execution of all transactions for its clients, Lexington is permitted to consider referrals of investors in determining its selection of third-party service providers. Accordingly, in some cases Lexington has an incentive to select or recommend a service provider based on its interest in receiving investor referrals. Any such determinations will be made in accordance with Lexington's fiduciary obligations to the Lexington Funds and Lexington's compliance policies and procedures.

### *Directed Brokerage*

Lexington has discretionary authority to select the brokers or dealers in connection with securities transactions of the Lexington Funds, and investors are not permitted to direct Lexington to use a particular broker or dealer to execute portfolio transactions on behalf of a Lexington Fund.

### *Trade Aggregation*

Lexington generally will, to the extent possible, place a combined order for two or more Lexington Funds it manages that are engaged in the purchase or sale of the same security if, in its good faith determination, joint execution would be consistent with its duty to seek best execution, consistent with the terms of the participating Lexington Funds' Governing Documents, and otherwise in the best interest of the participating Lexington Funds.

## **Item 13: Review of Accounts**

### *Review of Client Accounts*

The investments of the Lexington Funds are generally private, illiquid and long-term in nature, and accordingly Lexington's review of them is not directed toward a short-term decision to dispose of securities. However, Lexington will continuously monitor portfolio investments on behalf of the Lexington Funds. Investments are reviewed in the context of each Lexington Fund's stated investment objectives and guidelines as set forth in the Governing Documents of each Lexington Fund. Members of Lexington's investment committee meet regularly to determine and review overall investment objectives, risk tolerance and other information relevant to the Lexington Funds.

### *Reports to Clients*

The general partners of each Lexington Fund distribute quarterly and annual written reports to their respective investors. Annual reports generally contain an individual capital account statement as of the end of such fiscal year, a listing of investments held by the Lexington Fund and the audited financial statements of the Lexington Fund. The quarterly reports generally contain unaudited financial statements of the Lexington Fund for the fiscal quarter.

Investors are requested to refer to the Governing Documents of the applicable Lexington Fund for further information on the reports provided by such Lexington Fund to its investors.

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

### *Economic Benefits Received from Third Parties*

From time to time, in connection with investments made by certain Lexington Funds, Lexington or its affiliates or supervised persons expect to receive transaction fees, directors fees, investment banking fees, advisory fees, closing fees, topping fees, break-up fees and/or other similar fees. To mitigate potential conflicts of interest, Lexington will offset all or a portion of such benefits against advisory fees payable by the applicable Lexington Fund to the

extent required under such Lexington Fund's Governing Documents. Investors are requested to refer to the Governing Documents of the applicable Lexington Fund for complete information on the additional compensation received by Lexington or its affiliates or supervised persons in connection with such Lexington Fund's investments.

#### *Third Party Compensation for Client Referrals*

Lexington and related entities of Lexington will from time to time enter into compensation arrangements with placement agents or other parties for introducing investors to (and/or otherwise assisting in the fundraising of) a Lexington Fund. These arrangements generally are disclosed in the relevant Lexington Fund's Form D. Any compensation associated therewith will ultimately be payable by Lexington and/or its related entities, either directly or through an offset of the Advisory Fee payable by the relevant Lexington Fund to Lexington. Moreover, as described above, Lexington is permitted to consider referrals of investors to the Lexington Funds in determining its selection of third-party service providers.

Lexington endeavors at all times to put the interests of the Lexington Funds first as part of Lexington's fiduciary duty to the Lexington Funds. Nevertheless, the receipt of compensation by the placement agents creates a potential conflict of interest and may affect the judgment of placement agents when making referrals to Lexington and the Lexington Funds.

#### **Item 15: Custody**

Lexington will not have physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Nevertheless, Lexington will generally be deemed to have custody of the assets of the Lexington Funds as a result of its position as an affiliate of the general partner of each Lexington Fund.

It is Lexington's policy to cause each Lexington Fund with assets over which Lexington is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 180 days after the end of each fiscal year. In addition, upon the final liquidation of any such Lexington Fund, Lexington will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Lexington Fund to all investors promptly after completion of the audit. Investors will generally not receive account statements directly from the bank or other qualified custodian holding physical custody of the Lexington Funds' securities.

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

Subject to the investment objectives, policies and restrictions of each Lexington Fund as set forth in the Governing Documents of such Lexington Fund, Lexington has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Lexington Fund, including the selection of, and commissions paid to, broker-dealers.



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

Because Lexington has, or will accept, authority to vote securities held by a Lexington Fund, it has adopted policies and procedures (the “Proxy Voting Policies and Procedures”) that have been designed to ensure that Lexington complies with the requirements of the Advisers Act, and reflect Lexington’s commitment to vote all client securities for which it exercises voting authority in a manner consistent with the best interest of the Lexington Funds.

When exercising its voting authority over client securities, Lexington considers all relevant information, evaluates other issues that could have an impact on the value of the security and votes with a view toward maximizing overall value. Lexington votes all proxies in a prudent manner, considering the prevailing circumstances at such time, and in a manner consistent with the Proxy Voting Policies and Procedures and Lexington’s fiduciary duties to the Lexington Funds.

Lexington reviews each proposal submitted for a vote on a case-by-case basis to determine whether it is in the best interest of the applicable Lexington Fund. As a result, depending on the Lexington Fund’s particular circumstances, Lexington may vote one Lexington Fund’s securities differently than it votes those of another Lexington Fund, or may vote differently on various proposals, even though the securities or proposals are similar (or identical). In some instances, Lexington may determine that it is in a Lexington Fund’s best interest for Lexington to “abstain” from voting or not to vote at all, and will do so accordingly. Notwithstanding the foregoing, because proxy proposals and individual company facts and circumstances may vary, Lexington may not always vote proxies in accordance with the Proxy Voting Policies and Procedures. In addition, many possible proxy matters are not covered in the Proxy Voting Policies and Procedures. Generally, Lexington will vote proxies (i) in favor of management’s recommendation for the election of the board of directors and (ii) to approve the financial statements as presented by management.

Prior to exercising its voting authority, Lexington, in consultation with Compliance and/or outside counsel, as appropriate, reviews the relevant facts and determines whether a material conflict of interest may exist or arise due to business, personal or family relationships of Lexington, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. If it is determined that a material conflict exists, Lexington takes steps to ensure that its voting decision is based on the best interests of the applicable Lexington Fund and is not a product of the conflict. Lexington may, at its discretion, (A) seek the advice of the applicable Lexington Fund’s advisory board in voting such security; (B) disclose the conflict of interest to the investors in the Lexington Fund (or its advisory board) and either ask for such Lexington Fund’s (or advisory board’s) consent to Lexington’s proposed vote or defer to such Lexington Fund’s (or advisory board’s) voting recommendation; (C) defer to the voting recommendation of an independent third-party provider of proxy voting services; and/or (D) take such other action in good faith (in consultation with Lexington’s outside counsel, if appropriate) as would serve the best interest of the Lexington Fund. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

Lexington will deliver to each investor in a Lexington Fund, upon written request, a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted proxies for the applicable Lexington Fund.

**Item 18: Financial Information**

Lexington has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.