

Privileged & Confidential

PALLADIUM EQUITY PARTNERS ADVISOR, LLC

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February 14, 2012

This brochure provides information about the qualifications and business practices of Palladium Equity Partners Advisor, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 218-5150. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Palladium Equity Partners Advisor, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. An investment adviser's registration with the SEC does not imply a certain level of skill or training.

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MATERIAL CHANGES

ITEM 2

This brochure dated February 14, 2012 is a new document prepared by Palladium Equity Partners Advisor, LLC in accordance with the SEC's new requirements and rules pertaining to Form ADV.

In the future, this section ("*Material Changes*") will provide investors with any specific material changes that are made to the brochure. It will also reference the date of the brochure's last annual update.

ADVISORY BUSINESS

ITEM 4

Palladium Equity Partners Advisor, LLC, located in New York, New York, is an investment advisor to multiple pooled investment vehicles commonly known as private equity funds (collectively, “the Funds”). Certain firm affiliates are responsible for carrying out the day-to-day investment activities of the Funds (the “Investment Managers”), and certain other affiliates are responsible for serving as general partners of the Funds (the “General Partners”). For purposes of this brochure, “Palladium” or the “Firm” includes the Investment Managers and General Partners. Palladium was founded in 1997. Palladium Equity Partners Advisor, LLC was organized in May 2011, and is principally owned by its most senior investment professionals, Marcos A. Rodriguez, Erik A. Scott, Kevin L. Reymond, David Perez, Alex Ventosa and Luis Zaldivar.

All of the Funds to which Palladium provides investment advice are exempt from registration as an “investment company” under Section 3(c)(7) of the Investment Company Act of 1940, as amended (“Investment Company Act”). Investments in the Funds are only offered to qualified investors via private placements of securities that are exempt from registration with the SEC under the Securities Act of 1933, as amended (“Securities Act”). Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable General Partner, and not individually to the investors in the Funds.

The Funds invest primarily in lower middle-market private companies, with a general aim to invest in companies with revenues of approximately \$25 million to \$500 million, although certain investments may fall outside this range. The Funds focus on investing in companies in sectors in which the Firm’s Principals have substantial experience, though the specific strategy or focus may differ from Fund to Fund. These sectors include consumer, services, financial, healthcare, industrial, and media. Certain Funds implement a strategy using similar criteria but specifically focusing on the U.S. Hispanic market. The investment strategy of each Fund is set forth in greater detail in its applicable offering documents. Palladium does not participate in wrap fee programs.

As of December 31, 2011, Palladium managed approximately \$1.1 billion in Client assets, all of which is managed on a discretionary basis.

FEES AND COMPENSATION

ITEM 5

Palladium's compensation arrangements vary among the Funds. The specific compensation terms are set forth in each Fund's governing agreements. All Funds are "qualified purchasers" (as defined in Section 2(a)(51) of the Investment Company Act of 1940).

Palladium typically receives a management fee (the "Management Fee") as compensation, which is paid quarterly in advance. The Management Fee is based on a percentage of the aggregate capital commitments of each Fund's investors while the Fund is actively investing. After the active investment period ends, it is based on a percentage of the Fund's aggregate invested capital. In the event that Palladium does not provide services for the full quarterly period, the Management Fee is typically required to be returned on a pro rata basis to the investors in the applicable Fund. In general, the amount of fees returned is calculated based on the number days remaining in the applicable period.

The Management Fee is paid by either Fund investors making capital contributions, or by the Firm withholding the fee amount from investment proceeds that would otherwise be distributable to Fund investors. When such investment proceeds are withheld, Palladium provides written notice to affected Fund investors. The notice provides information about the amount withheld for the Management Fee and also the aggregate amount of investment proceeds.

In addition to the Management Fee, the General Partner of each Fund is eligible to receive a portion of the distributions of the affiliated Fund if certain thresholds for Fund performance are met. This is referred to as "Carried Interest." The performance thresholds necessary for Carried Interest to be distributed are set forth in each Fund's organizational and offering documents. If Carried Interest is distributed to the General Partner, it is separate and distinct from the Management Fees charged for advisory services. If Carried Interest is distributed, the distribution amount is withheld from investment proceeds that would otherwise be distributable to Fund investors, and all investors are provided written notice of the distribution. If Carried Interest is distributed, it is distributed to the General Partner from realized gains on investments and not on a pre-determined schedule.

In addition, while Carried Interest may be distributed to the General Partner from realized gains on investments, all such distributions remain subject to clawback in the event that overall Fund performance falls below the required performance threshold.

Palladium may also receive fees in addition to the Management Fee. Any additional fees are described in each Fund's offering documents, and may include net break-up and topping fees, net monitoring and directors' fees, net set-up fees, net advisory or consulting fees, net management fees, net investment banking fees, and other similar fees. The Management Fee may be offset by a portion of such fees, as set forth in the organizational and offering documents of each Fund. The Management Fee may be further reduced, waived or rebated at Palladium's discretion.

In addition, the Funds are responsible for expenses related to their operations, as described in each Fund's organizational documents. Such expenses may include fees, costs and expenses incurred in connection with potential investments and the evaluation, acquisition, ownership, sale, hedging or financing of any potential investment, taxes, insurance, travel, litigation and indemnification expenses, administrative expenses, and extraordinary expenses. These expenses often include certain charges

imposed by third parties, including (but not limited to): fees, costs and expenses of any custodians, attorneys, accountants, auditors, valuation experts or other professionals and brokerage commissions, registration fees and expenses, custodial expenses, other bank service fees and other investment costs, and fees and expenses actually incurred in connection with actual portfolio investments.

Other than as described herein, neither Palladium nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

ITEM 6

As discussed in Item 5 “Fees and Compensation” the General Partner of each Fund is eligible to receive a portion of the distributions of the affiliated Fund, defined as a Carried Interest, if certain thresholds for Fund performance are met. A General Partner may, in its discretion, waive or reduce an investor's obligation to pay Carried Interest, and all Carried Interest distributions remain subject to clawback in the event that the affiliated Fund's performance falls below the required performance threshold.

The provisions for Carried Interest may give rise to an incentive for the General Partner to make investments that are riskier or more speculative for the Funds than would be the case if it did not receive Carried Interest, though all Funds require high performance standards to be met before Carried Interest may be paid. Should the payment of Carried Interest relating to any future Fund give rise to varying rates of Carried Interest or varying performance hurdles among the Fund, an incentive may arise for the Firm to disproportionately allocate time, services, or functions to Funds paying an effective higher rate of Carried Interest or effective lower hurdle, or to allocate investment opportunities to such Funds. Each Fund's governing documents set forth specific procedures designed to ensure that all investors are treated fairly, and to prevent such potential conflict from unduly influencing the allocation of investment opportunities among Funds, including but not limited to provisions outlining the parameters of the Firm's ability to launch new investment funds while current funds are being actively invested.

TYPES OF CLIENTS

ITEM 7

Palladium provides investment advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act and Securities Act. Investment advice is provided directly to the Funds and not individually to investors in the Funds. In general, the minimum initial investment in a Fund is \$10 million, although lesser amounts may be accepted at the discretion of the applicable Fund's General Partner.

All Fund investors are "qualified purchasers" as defined in the Investment Company Act and may include, among others, high net worth individuals, banks, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnership and limited liability companies and other entities.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

ITEM 8

The Funds invest primarily in lower middle-market private companies, with a general aim to invest in companies with revenues of approximately \$25 million to \$500 million, although certain investments may fall outside this range. The Funds focus on investing in companies in sectors in which the Firm's Principals have substantial experience, though the specific strategy or focus may differ from Fund to Fund. These sectors include but are not limited to consumer, services, financial, healthcare, industrial, and media.

While all Funds' investment strategies may be characterized by its middle market focus, operating strategy and industry expertise, certain Funds focus especially on investing in companies that are well-positioned to capitalize upon the U.S. Hispanic market. In Palladium's view, this market exhibits favorable characteristics for private equity investing, including a young, fast-growing population which fuels growth in consumption and business formation and a lack of focused attention by Wall Street and the established U.S. private equity community. Palladium believes the characteristics of this market make it particularly attractive for the Firm given the Funds' target industry sectors, value-added investment strategy, prior experience in the market and access to U.S. Hispanic business leaders and investment opportunities.

An investment in any Palladium Fund involves a high degree of risk, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Fund and for which the Fund does not represent a complete investment program. There can be no assurance that any Fund will meet its investment objectives or otherwise be able to carry out its investment program successfully or that an investor will receive a return of its capital. In addition, there can be no assurance that any Fund will be able to generate returns for investors or that returns will be commensurate with the risks of the Funds' investments. A Fund investment should only be made by persons that can afford a loss of their entire investment.

The possibility of partial or total loss of capital will exist, and an investor contemplating an investment in a Fund must be both prepared and able to bear capital losses that may result from such investment.

While certain risks and potential conflicts of interest are summarized below, investors should refer to each Fund's offering documents, which further describe relevant risks and potential conflicts relating to potential investment in a Fund. Investors should carefully review and consider all of the risks related to investing in a Fund that are set forth in the offering documents for the applicable Fund.

No Assurance of Investment Return. An investment in any Fund involves a high degree of risk. There can be no assurance that any Fund's investment objective will be achieved, or that an investor will receive a return of its capital. It is possible that investors will lose part or all of their capital invested and they must be prepared to bear this risk.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to locate and complete investments that

satisfy its investment objectives or that it will be able to fully invest its committed capital.

Illiquid and Long-Term Investments. Investment in a Fund requires a long-term commitment with no certainty of return. Many of the Fund's investments will be highly illiquid, and there can be no assurance that the Fund will be able to realize such investments in a timely manner. Although investments may sometimes generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, it is not generally expected that this would occur for a number of years after the investment is made.

Dependence on Key Personnel. Palladium will be relying extensively on the experience, relationships and expertise of its investment professionals to successfully manage the respective Funds. There can be no assurance that these individuals will remain in the employ of Palladium, or otherwise continue to be able to carry on their current duties throughout the term of a Fund.

Non-U.S. Investments. The Funds may invest in securities of non-U.S. issuers. Investing in non U.S. securities involves risks relating but not limited to (i) currency exchange matters, including fluctuations in the rates of exchange and costs associated with currency conversion; (ii) differences between the U.S. and non- U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and varying degrees of government supervision and regulation; (iii) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital; and (iv) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities.

Financial Industry Risks. Financial services institutions and private equity funds operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. Failure to comply with any of these laws, rules or regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, which may have material adverse effects of a Fund's investment in such institutions. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 significantly changes the regulation of financial institutions, private equity funds, and the financial services industry, the full impact of which may not be known for many years.

Reliance on Portfolio Company Management. The day-to-day operations of each portfolio investment will be the responsibility of the portfolio investment's management team. Although the Investment Managers will be responsible for monitoring the performance of each portfolio investment and intends to invest in companies operated by strong management, there can be no assurance that a portfolio company management team will be able to operate such portfolio company in accordance with a Fund's plans.

Uncertainty of Financial Projections. Palladium will generally establish the pricing of transactions and the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections.

Again, this summary overview of certain risks relating to a potential investment in a Fund identifies some, but not all, risk factors that should be considered prior to investing. Investors should carefully and thoroughly review and consider all of the risks related to investing in a Fund that are set forth in the offering documents for the applicable Fund.

DISCIPLINARY INFORMATION

ITEM 9

In the past ten years, there have been no legal or disciplinary events involving Palladium or any of its management persons that are material to Palladium's advisory business.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

ITEM 10

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

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

Certain affiliates of Palladium serve as General Partners or Investment Managers of the Funds. For a description of the conflicts related to such arrangements, please refer to the section below titled, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

Palladium does not recommend or select other investment advisers for its Funds.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

ITEM 11

Palladium has adopted a Code of Ethics (the "Code") reasonably designed to detect or prevent violations of securities laws, to prevent or address conflicts of interests between Palladium and its Funds, and to comply with SEC Rule 204A-1. The Code requires that Firm personnel and certain associated persons act in the best interests of the Funds, as opposed to acting in their own best interest. Personnel are also required to comply with applicable provisions of the federal securities laws and make prompt reports of any actual or suspected violations of such laws, or of the Code, by Palladium personnel.

In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of Palladium's personnel. Palladium personnel and their families and households may purchase investments for their own accounts, subject to the terms of the Code, which restricts or prohibits certain types of personal trades. For example, personnel and certain of their family and household members must pre-clear personal securities transactions in initial public offerings and private placements, excepting such transactions that are undertaken by a Fund.

The Firm monitors employees' personal trading via its compliance program, which also includes policies and procedures designed to prevent the misuse and disclosure of material nonpublic information ("insider trading") and other confidential information, as well as policies and procedures addressing conflicts of interest, outside activities of employees, gifts and business entertainment (including limitations and reporting requirements), and pre-clearance and reporting of political contributions. Any violations of either the Code or the Firm's compliance program may result in further inquiry by the Firm's Chief Compliance Officer and may lead to sanctions, which may include termination of employment.

Palladium employees must acknowledge the terms of the Code annually, or as amended, and are also required to provide certain initial, annual, and quarterly reports regarding the personal securities holdings and transactions as required by SEC Rule 204A-1. Please note that this summary is qualified in its entirety by the Code, copies of which will be provided to any existing or prospective investor upon written request to the Chief Compliance Officer at the contact information provided on the cover page.

Palladium and certain employees and affiliates of Palladium may invest in the Funds through the affiliated General Partner.. The conflicts of interest encountered by the Firm and the Funds may include those described in this section, although this discussion is not exhaustive and does not necessarily describe all of the conflicts that may be faced by the Firm and the Funds. Other conflicts may be disclosed throughout this brochure and in the offering documents of each Fund, and these materials should be read carefully and in their entirety. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

In certain cases, and subject to each Fund's governing documents, which may include a requirement to secure approval from the Fund's Limited Partners Advisory Committee, the Firm may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions may create conflicts of interest because, by not exposing such buy and

sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Firm might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. The affiliated General Partner may have significant investments, or intentions to invest, in a Fund that is selling and/or purchasing such an investment. .

To address these conflicts of interest, in connection with effecting such transactions, the Firm will follow the allocation provisions of the relevant Funds as set forth in their applicable governing documents. Any conflicts of interest may need to be brought to the attention of the applicable Fund's Limited Partner Advisory Committee, depending upon the relevant Fund's governing documents. To the extent such matters are not addressed in Fund documents, Palladium will determine whether or not the transaction would constitute a cross trade or principal transaction, and if so, that all required notice and consent requirements are satisfied. The Firm's management will then inform the investment team whether or not to proceed with the trade. In general, the Firm does not, and does not anticipate that it will, engage in principal transactions or cross transactions.

The Firm, its affiliates, officers, principals and employees of the Firm and its affiliates may buy or sell securities or other instruments that the Firm has recommended to Funds through the affiliated General Partner entity. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Funds. Such transactions are subject to the policies and procedures set forth in the Firm's Code of Ethics.

BROKERAGE PRACTICES

ITEM 12

Palladium primarily invests in private securities. However, in the event the Firm executes a brokerage transaction for a Fund, in determining whether a broker-dealer is likely to provide best execution, the Firm will generally consider qualitative factors including, but not limited to, the broker's reliability and execution capabilities for the transaction, the commissions charged by the broker, and the broker's reputation and responsiveness to requests for trade data and other financial information.

Palladium does not have any soft dollar arrangements in connection with brokerage transactions, and does not engage in directed brokerage arrangements.

In the private equity context, client referrals are not relevant to Palladium's selection or recommendation of broker-dealers. Similarly, aggregation of the purchase or sale of securities for multiple client accounts is generally not relevant in the private equity context. However, in the event that the Firm trades in public securities, Palladium may aggregate orders if it determines it advisable to do so, but is not obligated to do so.

REVIEW OF ACCOUNTS

ITEM 13

Palladium's investment professionals and senior management monitor and review the Funds' portfolio investments on an ongoing basis, including, for example, by participating in board meetings and management calls, reviewing annual and interim financial statements, and making ad hoc on-site visits. The Firm's Finance Department maintains and monitors each Fund's financial accounts. Outside vendors provide technical, analytical and systems support. In addition, each Fund's financial statements are audited on an annual basis by an independent third-party accounting firm.

Currently, Palladium utilizes a process of sharing investment ideas, implementing investment decisions and reviewing current investments through a series of ongoing meetings held among members of the Firm's investment personnel (the "Weekly Meetings"). The Weekly Meetings generally focus on new deal generation, portfolio monitoring, and decision-making, and are attended by investment professionals holding the position of Analyst and up, including the Firm's Associates, Vice Presidents, Principals, CFO, General Counsel, CCO and Managing Directors. At each Weekly Meeting, the investment professionals responsible for monitoring individual Fund investments prepare and present a current overview of each investment's performance and any relevant developments since the investment was last presented. Generally, presentations relating to two or more individual Fund investments are given at each Weekly Meeting, ensuring that each Fund investment is reviewed and monitored by the Firm's leadership regularly.

Audited financial statements are provided via written reports to investors in each Fund generally within 120 days of the end of the Fund's fiscal year (see the section below titled, "Custody"). Unaudited financial statements and investor-specific account statements are generally provided via written reports to investors in each Fund on a quarterly basis. In addition, each Fund's investors are invited to participate in an annual investor meeting at which Palladium reports on the Fund's portfolio investments and performance. The Firm may also hold investor update calls from time to time on an as-needed basis.

CLIENT REFERRALS AND COMPENSATION

ITEM 14

As described above in Item 5, Palladium may receive certain fees relating to evaluating, monitoring, acquiring, and selling potential investments. These may be paid by prospective portfolio companies, actual portfolio companies or their respective affiliates. Neither Palladium nor any of its related persons compensates any person who is not a supervised person for Client referrals. However, from time to time, in the context of organizing a Fund, the Firm may compensate one or more placement agents, finders or other third parties for referrals of Fund investors.

If a prospective investor is solicited by a placement agent or other third party, such prospective investor will be advised of the arrangement, including the receipt of fees. Placement fees are generally borne by the Investment Managers as an offset of the Management Fee, though please note that each Fund's organizational and offering documents describe specific terms regarding applicable fees, and this summary is qualified in its entirety by such terms.

CUSTODY

ITEM 15

It is Palladium's policy to cause each Fund with assets over which Palladium 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 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, Palladium will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

INVESTMENT DISCRETION

ITEM 16

Palladium provides investment advice to the Funds on a discretionary basis. Generally this discretion is subject only to the investment guidelines set forth in each Fund's governing agreements.

VOTING CLIENT SECURITIES

ITEM 17

As noted above, Palladium invests primarily in private securities and therefore generally is not in a position to vote public company proxies. However, the Firm has established written policies and procedures setting forth the principles and procedures by which Palladium votes or gives consent with respect to securities owned by the Funds ("Votes").

The guiding principle by which the Firm Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund's holdings, taking into account the relevant Fund's investment horizon and guidelines, the contractual obligations under the relevant advisory agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Firm does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle. Investors may request a copy of Palladium's policies and procedures and the Funds voting record by contacting the Firm's Chief Compliance Officer.

When a conflict arises between the Firm and a Fund, such conflicts must be promptly brought to the attention of the Firm's Chief Compliance Officer by the investment professional employee or employees who are or become aware of such situation. Purported conflicts of interest are submitted to senior management for consultation. In addition, conflicts of interest may need to be brought to the attention of each Fund's Limited Partner Advisory Committee, depending upon each Fund's governing documents.

FINANCIAL INFORMATION

ITEM 18

Palladium does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance. Therefore, the Firm has not included a balance sheet and does not have any disclosure applicable to this item.

Palladium does not believe that there are any conditions that are reasonably likely to impair the Firm's ability to meet contractual commitments to Clients, and has never been the subject of a bankruptcy petition.