

**Item 1. Cover Page**

**Form ADV Part 2A**

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**This brochure provides information about the qualifications and business practices of Lee Equity Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 212-888-1500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about us is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**We refer to ourselves as a “registered investment adviser”. Registration does not imply a certain level of skill or training.**

**Item 2. Material Changes**

Our initial brochure using SEC Form ADV Part 2A is dated February 14, 2012. We are making the following change:

- Item 4. (Advisory Business) As of September 30, 2012, we managed \$946,543,117 of Client assets on a discretionary basis. This includes the committed capital that may be called by the Funds from their respective limited partners.

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#### **Item 4. Advisory Business**

Lee Equity Partners, LLC (“**Lee Equity**,” “**us**,” “**we**,” and “**our**”) was formed as a Delaware limited liability company and is located in New York, New York. Lee Equity was formed by Thomas H. Lee in August 2006, and is currently led by Mr. Lee, Mark K. Gormley, Benjamin A. Hochberg, Yoo Jin Kim, David J. Morrison, Joseph B. Rotberg, Douglas A. Schreiber and Richard P. Walsh, Jr. (our “**Partners**”). Mr. Lee is the managing member and principal owner of Lee Equity.

We provide discretionary investment advice to certain private equity investment funds (the “**Funds**” or our “**Clients**”) that make investments in growth-oriented, mid- and upper-mid-cap companies located primarily in the United States. We seek to invest in businesses which we believe have strong and sustainable competitive positions, sufficient scale to attract high quality professional management and the ability to demonstrate continued growth. We are a generalist firm with investment professionals who have significant expertise in a number of industries, including financial, healthcare and business services, retail and consumer products and media.

Persons that invest in the Funds are referred to in this brochure as “**investors**” or “**limited partners**.” We provide investment advice and other services to the Funds and not individually to the investors in such Funds.

We do not participate in wrap fee programs.

#### **Assets Under Management**

As of September 30, 2012, we managed \$946,543,117 of Client assets on a discretionary basis. This includes the committed capital that may be called by the Funds from their respective limited partners. We do not manage Client assets on a non-discretionary basis.

#### **Item 5. Fees and Compensation**

##### **Management Fees**

Our Clients generally pay us annual management fees in exchange for our investment management services. The management fees that our Clients pay us are provided for in their limited partnership agreements and/or the investment management agreements that they enter into with us. The management fees are paid quarterly and in advance. The specific management fees payable by a Fund are negotiated at the time the Fund is formed.

## **Other Fees**

We may receive directors', consulting, monitoring and other similar fees and financing or other transaction fees in connection with the investment activities of the Funds ("Other Fees"). In addition, we may be reimbursed by the Funds' portfolio companies for expenses we incur in connection with our performance of the services that give rise to Other Fees. These Other Fees are generally agreed at the closing of a Fund's investment in a portfolio company.

In general, the management fees that certain of the Funds pay us is reduced by a portion of Other Fees, if any, received by us in connection with the activities of the Funds. As a general matter, if the next installment of the management fee payable by a Fund is reduced to zero as a result of our receipt of Other Fees, the excess is carried over to the succeeding management fee payment date and applied as a reduction of the management fee but not below zero. Upon dissolution of a Fund, we will refund the excess (up to the amount of aggregate management fees previously paid by the such Fund) to such Fund for the benefit of its limited partners.

We deduct management fees from the accounts of certain Funds.

If we cease to serve as the investment manager of a particular Fund during a quarterly period, the management fee payable by the Fund for such quarterly period will be prorated based on the number of days during such quarterly period that we served as investment manager.

Each Fund will typically pay legal, organizational and offering expenses, including the out-of-pocket expenses of the Fund's general partner and its agents (but excluding placement agent fees), actually incurred in the formation of the Fund and such general partner and, if required, Lee Equity. Investors in the Funds will typically receive a reduction in management fees with respect to all such organizational expenses in excess of specific amounts as described in the limited partnership agreement of the relevant Fund.

In addition, each Fund will typically pay all costs and expenses relating to its operations, including, but not limited to: (i) legal, auditing, consulting and accounting fees and expenses (including costs of reports to the Fund's limited partners, financial statements, tax returns and K 1s); (ii) expenses of meetings of the Fund's advisory committee and of limited partners; (iii) all indemnification and insurance expenses; (iv) all expenses associated with the acquisition, holding and disposition of its proposed or actual portfolio investments; (v) all extraordinary expenses (such as litigation); (vi) interest on and fees and expenses arising out of all permitted borrowings made by the Fund; (vii) all third-party expenses relating to unconsummated transactions (i.e., broken deal expenses); (viii) all expenses of liquidating the Fund; (ix) any taxes, fees or other governmental charges levied against such Fund; and (x) all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund, including all

expenses incurred by the Fund's general partner in connection with its duties as the tax matters partner of the Fund.

Neither we nor any of our "supervised persons" accepts compensation for the sale of securities or other investment products.

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

The general partner of each Fund is generally entitled to a "carried interest" on such Fund's profits in accordance with the provisions of such Fund's limited partnership agreement. The "carried interest" is generally equal to a percentage of the investment proceeds distributed by a Fund in excess of the capital invested by such Fund's limited partners, and is subject to a preferred return. The general partner of each Fund is also subject to a "clawback" of "carried interest" previously received to the extent that it has received cumulative distributions in excess of amounts otherwise distributable to the general partner by such Fund as "carried interest", applied on an aggregate basis covering all transactions of the applicable Fund. In no event will the general partner of a Fund be required to restore more than the cumulative distributions received by such general partner as "carried interest" determined on an after-tax basis. The "carried interest" percentage to which the general partner of a Fund is entitled is negotiated at the time such Fund is formed.

The existence of the general partner's carried interest may create an incentive for us to make more speculative portfolio investments on behalf of our Clients than we might otherwise make in the absence of such performance-based arrangement.

#### **Item 7. Types of Clients**

We provide discretionary investment advice solely to the Funds. We do not have any requirements for opening or maintaining an account.

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

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

We generally seek to make private equity investments in growth-oriented, mid- and upper-mid-cap companies located primarily in the United States. We seek to invest in businesses which have strong and sustainable competitive positions, sufficient scale to attract professional management and the ability to demonstrate continued significant growth.

Our Partners engage in sourcing, diligence, financing, monitoring and exiting high-growth, leveraged private equity investments. A core element of our investment strategy is working with portfolio companies to add value through strategic positioning and operating improvements. As a result, we seek to obtain control or to exert significant influence over the company's strategy, operations and governance. Our investment strategy does not include frequent trading.

We are a generalist firm with investment professionals who have significant expertise in a number of industries, including financial, healthcare and business services, retail and consumer products and media. This model offers investors the combination of a generalist firm's broad market coverage and diverse and varied deal flow with a sector-focused firm's domain knowledge, networks and expertise. We seek companies that exhibit or have the potential to produce high margins, compelling growth rates, attractive free cash flow, high returns on capital and the ability to sustain strong competitive positions.

We employ a comprehensive approach to managing our portfolio companies. This approach, which is encapsulated in a planning process called the LEAP, creates a systematic framework through which we can monitor and influence the progress of each portfolio company's short- and long-term operating, strategic and financial plans. Our value-add includes strategy, management, operational and financial initiatives. We work with management teams to build depth among the operating leadership group. Lastly, we oversee the development and implementation of systems and controls, reporting and decision making tools to augment each company's existing capabilities.

## **Risk Factors**

Private equity investing involves significant risks that a Fund and its investors should be prepared to bear. Also, investing in the Funds involves significant risks relating both to the types of investment contemplated and our ability to achieve the investment objectives. The discussion below of risks associated with private equity investments does not purport to be an exhaustive list of all risks associated with an investment in our Funds. Please see the confidential offering memoranda of the respective Fund for a more detailed discussion of risks.

**Risk of Loss of Capital.** Investing in securities involves the risk of loss of capital. While we believe that our investment processes, strategy and research techniques mitigate the investment risk through a careful selection of investment opportunities, no guarantee or representation is made that we will achieve a Fund's investment objectives or that we will be successful.

**Leverage.** While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Our Funds' investments may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced

effect on the profitability or survival of such companies. If for any of these reasons a portfolio company in which we invest on behalf of a Fund is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of the investment in such portfolio company could be significantly reduced or even eliminated.

Illiquid and Long-Term Investments; Lack of Transferability. Although our Funds' investments may generate current income, the return of capital and the realization of gains, if any, from such investments is expected to occur upon their disposition. Such investments are typically held for a number of years before they are sold. Furthermore, it is unlikely that there will be a public market for such investments and their securities generally may not be sold publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases, the sale of such investments may be prohibited or limited by contract for a period of time, and as a result, we may not be permitted to sell such investments at a time we might otherwise desire to do so.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing on attractive private equity investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that we will be able to identify and complete investments that satisfy our Funds' investment objective, or realize the value of their portfolio investments, or that we will be able to fully invest their commitments. Nevertheless, our clients will be required to pay our management fees based on aggregate commitments during the Fund's commitment period.

Portfolio Company Management Risks. It is common for the portfolio companies in which our Funds invest to rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While we monitor each portfolio company's management team, each such team will ultimately have day-to-day responsibility for the business of such portfolio company.

Concentration of Investments. Each Fund generally invests in a limited number of portfolio companies and, as a result, its returns may be affected by the performance of a single investment. Furthermore, because we have broad discretion to invest a considerable portion of a Fund's assets in a single investment, and all of the Fund's assets in a particular industry, adverse movements in the value of a single investment or the health of a particular industry could have a considerably greater negative impact on such Fund than would be the case if we were not permitted to concentrate investments to such an extent.

Control Position. The exercise of control over portfolio companies may expose our Funds to additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability that generally characterizes



business operations may be ignored. While we intend to manage our Funds so as to minimize exposure to these risks, the possibility of successful claims cannot be precluded.

**Board Participation.** Our Funds may be represented on the boards of directors of certain of their portfolio investments. Although such positions may be important to our investment strategy and may enhance our ability to manage the investment, they may also impair our ability to sell the investment when, and upon the terms, we may otherwise want. It may also subject us and our Funds to claims we would not otherwise be subject to, including claims of breach of duty of loyalty, securities claims and other director-related claims.

**Non-U.S. Investments.** Our Funds may invest globally. Foreign securities involve risks not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters, (ii) differences between the U.S. and foreign securities markets, (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (iv) certain economic and political risks, (v) obtaining foreign governmental approvals and complying with foreign laws and (vi) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. Furthermore, the legal systems in these countries may offer no effective means for our Funds to seek to enforce their rights or otherwise seek legal redress.

## **Item 9. Disciplinary Information**

None.

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

We are not registered, nor do we have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. We are also not registered, nor do we have any application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

Lee Equity Partners GP, LLC, whose members are the Partners of Lee Equity, is the general partner of the Funds.

We share common ownership with THLCM, an “exempt reporting adviser.” THLCM’s managing member is Thomas H. Lee Capital, LLC.

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

### **Code of Ethics**

We have adopted a Code of Ethics (“**Code**”) which applies to us and our relying advisers and sets forth standards of business conduct we require of our supervised persons. The Code is intended to assist us and our supervised persons in complying with the requirements of Rule 204A-1 under the Advisers Act, as well as provisions of the federal securities laws pertaining to insider trading.

The Code contains a Procedures and Policy Statement on Insider Trading to inform employees and covered persons of what constitutes material, nonpublic information and the laws and requirements relating to insider trading and confidentiality and our policies in that area.

The Code also sets forth personal trading policies applicable to certain employees and certain family members and affiliates (“**covered persons**”) that are designed to address actual or potential conflicts of interest (or appearances of conflicts) with the Funds.

Covered persons may not trade for themselves or recommend trading in the securities of a public company while in possession of material, nonpublic information concerning such company, or disclose such information to any person not entitled to receive it. A covered person is required to inform our Chief Compliance Officer whenever he or she believes that he or she may have obtained material, nonpublic information regarding a public company. In accordance with the Code, covered persons are not permitted to effect transactions individually in public companies that are portfolio investments of any of the Funds without the approval of the Chief Compliance Officer.

Our Code requires that covered persons report brokerage transactions to the Chief Compliance Officer. Transactions in certain financial products, including certain mutual fund shares, U.S. government securities, investment grade debt securities and certain money market instruments may be excluded from such reporting requirements.

Our Code also requires that covered persons seek pre-clearance with respect to investments in any private placement or initial public offering. These limitations and pre-clearance requirements may not apply to transactions in certain investments, including investments in accounts over which the covered person has no direct or indirect control.

A copy of our Code of Ethics will be provided to any Client or prospective client upon request.

## Conflicts of Interest

*Participation or Interest in Client Transactions.* As described in Items 5 and 6, we are generally entitled to receive management fees and the general partner of the Funds may also receive a carried interest from the Funds. The general partner of the Funds also makes capital commitments to the Funds. We may receive fees from the Funds' portfolio companies for performing consulting and other services for, or serving as directors (or similar positions) of, such companies. Certain of the foregoing may represent a conflict of interest in our selection of portfolio investments for the funds. These potential conflicts of interest are mitigated in part because (i) the general partner has a capital commitment to each Fund; (ii) our consulting, servicing and board member fees are typically negotiated with applicable portfolio management teams and/or any roll-over equity holders; and (iii) a portion of the consulting, servicing and board member fees we receive are offset against management fees otherwise payable by the Funds.

*Allocation of Investment Opportunities.* Because the formation of the Funds occurs sequentially over time, typically only one Fund is actively making investments at any given time and a successor Fund does not commence making investments until its predecessor Fund has generally ceased making new investments. To the extent that there is more than one Fund actively investing at any time, we will determine allocations to each Fund in accordance with its limited partnership agreement and on a basis that we believe is fair and equitable (taking into account a number of factors, including, without limitation, each Fund's available commitments), and transaction costs will be shared proportionately. Otherwise, except as described below, investment opportunities generally are not required to be allocated among Clients. Typically during a Fund's investment period, any suitable and appropriate investment opportunity that is presented to the Fund's general partner (other than follow-on investment opportunities related to investments of a predecessor Fund, which will generally be offered to the predecessor Fund that made the original investment in accordance with the terms of its limited partnership agreement) will be offered solely to such Fund. We will maintain a record of those instances in which it allocates investment opportunities between or among clients and the methodology of such allocation.

Pursuant to and in accordance with the terms of each Fund's limited partnership agreement, and subject to certain limitations, the general partner of a Fund is generally permitted to provide the opportunity to co-invest with such Fund in its portfolio investments directly or indirectly to certain (i) limited partners of such Fund, (ii) third parties, (iii) employees of the Lee Equity and (iv) other persons who can potentially add value to the Funds' activities by virtue of their association with the Fund and/or certain portfolio companies. In determining to offer any co-investment opportunity in a specific portfolio investment, except with respect to co-investment opportunities offered pursuant to the last sentence of this paragraph, we will generally first determine the appropriate allocation to the applicable Fund taking account of relevant

circumstances before allocating any portion of such portfolio investment to one or more co-investors, unless it determines a particular co-investor may potentially add strategic value with respect to such portfolio investment or that offering such co-investment opportunity is otherwise in the best interests of the Fund. With respect to co-investments by certain of our employees, their family members and/or other persons who can potentially add value to the Funds' activities by virtue of their association with the Fund and/or certain portfolio companies, each Fund's limited partnership agreement sets forth a maximum aggregate amount that is permitted to be co-invested by such persons in any single portfolio investment.

*Principal Transactions.* We do not anticipate purchase or sale transactions between any Fund and Lee Equity, its affiliates or its employees or entities owned by them. Any such transaction would be considered a "principal trade," which is governed by Section 206(3) of the Advisers Act. Any transactions between the Funds and accounts that are 25% or more owned by us or our employees have the potential to be considered principal trades that trigger the restrictions imposed by Section 206(3). Any potential principal trade would require the written pre-approval of the Chief Compliance Officer who would, among other things, ensure strict compliance with all requirements imposed by Section 206(3) of the Advisers Act and compliance with each Fund's limited partnership agreement, including obtaining any required limited partner advisory board approvals.

*Cross Transactions.* We are not affiliated with a registered broker-dealer and as such cannot engage in agency cross transactions. We generally do not anticipate crossing assets between the Funds. Any cross trade would require the written pre-approval of one of our Partners and the Chief Compliance Officer who would, among other things, ensure that the transaction was at a demonstrably fair price and in each participating Fund's best interests and was made in accordance with each Fund's limited partnership agreement (i.e., any required limited partner advisory board approvals had been obtained).

## **Item 12. Brokerage Practices**

We do not make regular use of brokers for the purposes of purchasing or selling securities on behalf of the Funds because the securities that we typically purchase or sell on behalf of the Funds are acquired and/or disposed of in privately negotiated purchase and sale transactions.

From time to time, we may use a broker to effect transactions in public securities resulting from, or in connection with, portfolio investments. In those instances, we have full discretionary authority with respect to the selection of, and commissions paid to, brokers. If we determine to engage a broker, we will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness to us, and the value to us of research provided, if any.

We do not receive soft dollar benefits or client referrals from broker-dealers in connection with client transactions.

### **Item 13. Review of Accounts**

Our Partners are responsible for oversight of the investment process. In addition, our investment professionals meet weekly to review all potential new and existing portfolio investments, and any issues raised during the weekly meeting requiring Partner review will be brought to the Investment Committee.

Limited partners in the Funds are provided with audited annual financial reports and unaudited quarterly financial statements, and quarterly descriptive information with respect to portfolio investments. These reports may be distributed electronically. Limited partners are also provided with annual tax information.

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

We sponsor the formation of each Fund and we do not engage or compensate third party referral agents to solicit new clients for us. In the event that we engage, and will make a cash payment to, any solicitor of clients, we will do so in accordance with Rule 206(4)-3 under the Advisers Act. We will bear the full costs of any compensation paid to such solicitors.

### **Item 15. Custody**

We have engaged a third party to serve as qualified custodian for the Funds. Additionally, each Fund (within 120 days after the end of its fiscal year) circulates to its limited partners audited annual financial reports prepared in accordance with generally accepted accounting principles.

### **Item 16. Investment Discretion**

We have entered into an investment management agreement with each Fund. Each such agreement, together with the management authority granted to each Fund's general partner pursuant to the Fund's limited partnership agreement, provides us with full discretion to determine investments to be purchased and sold on behalf of the Fund and the terms of the related transactions. Limitations on our investment discretion are set forth in the investment management agreement with, and the limited partnership agreements of, the Funds.

**Item 17. Voting Client Securities**

While the securities evidencing the private equity investments made by the Funds are not typically the subject of proxies, there could be certain circumstances where we, having discretionary authority over the Funds, may be asked to vote the securities of the Funds on restructuring or other corporate matters. It is our general policy to vote Client proxies in the interest of maximizing shareholder value.

We will also determine whether there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interest of a Fund. We have adopted policies to address these material conflicts of interest.

Under certain circumstances, when it is believed to be in the best interests of Clients, we may vote in a manner that is contrary to the proxy voting principles and guidelines or may refrain from voting.

A copy of our proxy voting policies and procedures will be provided to any Client and prospective client upon request. Current Clients may also request information about the way in which we voted in connection with assets held by them.

**Item 18. Financial Information**

Not applicable.

**Item 19. Requirements for State-Registered Investment Advisers**

Not applicable.