

FORM ADV Uniform Application for Investment Adviser Registration
Part 2A: Investment Adviser Brochure and Brochure Supplements
Item 1: Cover Page

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This brochure provides information about the qualifications and business practices of J. F. Lehman & Company. If you have any questions about the contents of this brochure, please contact us at the phone number listed above.

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. Please note, where this brochure may use the terms “registered investment adviser” and/or “registered”, registration itself does not imply a certain level of skill or training.

**Additional information about the firm is also available on the SEC’s website at
www.adviserinfo.sec.gov**

Item 2: Material Changes

There have been no material changes to the firm brochure since our initial filing on February 15, 2012.

Item 3: Table of Contents

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Item 4: Investment Advisory Business

Since its establishment in 1992, J. F. Lehman & Company, Inc. (“JFLCO” or the “Firm”) has pursued a consistent focus on investing in companies in the defense, aerospace and maritime industries and the technologies that originate from them. To this end, JFLCO currently provides portfolio management and administrative services to private equity funds (individually a “Fund” or collectively the “Funds”). The Firm’s primary services include investigating, analyzing, structuring and negotiating potential investments, monitoring portfolio companies and advising the Funds as to disposition opportunities.

The Funds’ objectives are to make private equity or equity-related investments in companies involved or connected with defense, aerospace, maritime or engineering industries or other specialized service or manufacturing sectors. The primary focus of the Funds is control investments in lower middle market companies with unique engineering competencies and technology-driven products and services.

After extensive research and investigation by the Firm, investment recommendations are communicated to the general partner of the applicable Fund (the “General Partner”), who are affiliates of the Firm. The advice provided by the Firm and its affiliates to each Fund is tailored to meet the individual investment objectives and restrictions of each Fund. Notwithstanding the foregoing, the General Partner of each Fund is ultimately responsible for all final investment decisions

The Funds are currently comprised of primary funds (the “Primary Funds”), executive funds, comprised of investors which are affiliated with the Firm or employees of the Firm (the “Executive Funds”) and co-invest funds which make additional investments in the same portfolio companies (“Co-Investor Funds”). The Co-Investor funds are generally comprised of a similar group of limited partners as the Primary Funds. In addition to the Funds described above, there are certain additional funds that are winding down as all of the investments in such funds have been distributed. The principal owners of JFLCO are John Lehman and Barbara Lehman.

As of December 31, 2012, JFLCO has a total of approximately \$755,200,000 of discretionary assets under management.

Item 5: Fees and Compensation

Management Fee: In accordance with the Limited Partnership Agreement for the applicable Primary Fund, for the period beginning as of the initial drawdown of a Fund through the earlier of the end of the investment period for such Fund or the date the General Partner holds a closing admitting third party members to a successor fund, JFLCO receives an annual management fee from the Primary Fund equal to 2% of total capital commitments of the applicable Fund. Capital commitments are the amount contractually committed to a Fund by the limited partners of the Fund (the “Limited Partners”) and the general partner. Thereafter, the management fee is 2% of funded

capital contributions that were used to invest in the portfolio companies of such Fund and remain invested in the portfolio companies. The management fee is payable quarterly in advance from drawdowns of the Limited Partner's unfunded capital commitments and are subject to certain reductions. Such reductions include, among other things, certain fees paid to JFLCO by portfolio companies of the Fund after JFLCO's budget has been funded. Typically, the Executive Funds and Co-Investor Funds do not pay management fees.

Dispositions: For the Primary Funds, upon the disposition of a portfolio investment, all distribution, in-kind securities, dividends, interest or other income are proportionately distributed to the Limited Partners up to 100% of their aggregate capital contributions to the Fund plus a preferred return of 8% per annum, compounded annually on such aggregate capital contributions. The General Partner then receives any remaining funds up to 20% of the amounts paid to the Limited Partners. All remaining proceeds are then allocated 80% to the Limited Partners and 20% to the General Partners. All distributions by the Executive Funds or Co-Investor Funds are pro-rata based on the capital commitment of the partner. Upon termination of a Primary Fund, generally the General Partner would be required to return to the applicable Fund distributions of carried interest previously received by the Fund to the extent that they exceed the amounts that should have been distributed to the General Partner as carried interest applied on an aggregate basis covering all transactions of such Fund. In no event, will the General Partner be required to return more than cumulative carried interest distributions received by the General Partner, net of income taxes.

Other Expenses: JFLCO pays all normal operating expenses incurred for day-to-day administrative services to the Funds including overhead and expenses related to the analysis of potential investments; provided, however, that the Funds bears third party expenses incurred in connection with transactions not consummated and organization expenses up to an agreed amount.

Other Fees: JFLCO may receive fees from the portfolio companies. These fees may include directors' fees, transaction fees, monitoring fees and other similar advisory related fees. Subject to a budget-base formula, up to 100% of these fees paid by the portfolio companies to JFLCO or its related persons are applied to reduce the management fee otherwise payable.

All base and performance fees assessed to the Funds are fully disclosed to investors in the respective Fund's Private Placement Memorandum, Limited Partnership Agreement and in Investor Subscription documents.

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

As detailed in Item 5 above, the Primary Funds' General Partner assesses a performance based compensation of 20% of realized gains upon the disposition of a portfolio company. The performance compensation is earned only after the Limited Partners receive 100% of their aggregate capital contribution to the Fund plus a return of 8% per

annum, compounded annually. All Limited Partners are required to be “Qualified Clients” as defined under the Investment Advisers Act of 1940, as amended (the “Investment Company Act”).

The fact that affiliates of JFLCO are in part compensated based on the performance of the Funds may create an incentive for the Firm to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of the performance-based compensation arrangements. Notwithstanding such arrangements, the Firm manages the Funds in accordance with the investment strategy disclosed in the Funds’ Private Placement Memoranda, Limited Partnership Agreements and in the Investor Subscription documents. The Firm regularly reviews the Funds’ investments to ensure that they are being made in accordance with the Funds’ respective investment guidelines.

The Firm does not manage any account or any Primary Fund for which it does not receive a performance-based compensation. However, because the expected value of the performance-based fee may vary from Fund to Fund, the Firm has an incentive to favor one Fund over another. Specifically, the Firm could have an incentive to favor the Fund which is more likely to pay the General Partner its carried interest because of the performance threshold. The Limited Partnership Agreements address many potential areas of conflicts of interest. On any issue involving conflicts of interest not provided for in the applicable Limited Partnership Agreement, (i) each of the General Partner and Manager will be guided by its good faith judgment as to the best interests of the Fund and shall take such actions as are determined by the General Partner or JFLCO, as the case may be, to be necessary or appropriate to ameliorate such conflicts of interest and (ii) the General Partner or JFLCO will consult with the advisory committee of the Fund with respect to any matter as to which the General Partner determines in good faith that such a conflict of interest exists.

All performance compensation assessed to the Funds are fully disclosed to investors in the respective Fund’s Private Placement Memorandum, Limited Partnership Agreement and in the Investor Subscription documents.

Item 7: Types of Clients

JFLCO provides investment management services exclusively to Funds. Each Fund is a limited partnership, limited liability company or other entity formed under U.S. or foreign laws and operated pursuant to one or more exemptions from registration under the Investment Company Act. A Fund may include feeder entities, special purpose vehicles and/or parallel structures established for tax, regulatory or other considerations.

Certain of the Funds have minimum commitments required to invest in the Fund but the General Partner of the Fund may waive such requirement. Generally, each Fund would have assets greater than \$1,000,000.

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

JFLCO pursues an exclusive and consistent focus on investing in companies in the defense, aerospace and maritime industries and the technologies that originate from them in the U.S. and U.K.

Within its target industries, JFLCO focuses primarily on making control investments in lower middle market companies with unique engineering competencies and technology-driven products and services whose performance is critical. Companies that JFLCO targets may not be realizing their full potential. These businesses often have well-established product offerings and are leaders in certain or all their markets but lack the human or capital resources required for further growth. JFLCO fully supports each portfolio company with internal and external resources and independently evaluates each company from origination through exit to identify opportunities for creating value in concert with the portfolio companies' management partners.

Investment in the Funds involves risk of loss, and investors in the Funds should have the ability to sustain the loss of their entire investment. There is no assurance that the performance of JFLCO or the Funds will equal or exceed any past performance. While prospective investors should review the risk disclosures set forth in full in the applicable Fund's offering materials or separate account documentation, the following are certain material risks with respect to investments in the Funds. These risks are qualified in their entirety for a particular Fund by the risks set forth in such Fund's Private Placement Memorandum, other offering materials or governing documents.

- **Long-Term Investment.** Investments in the Funds are not intended to be short-term investments. Even if the investment strategy of a Fund proves successful, it is unlikely to produce a realized return to its investors for a number of years.
- **Reliance on Portfolio Company Management.** While it is the intent of the General Partners of the Funds to invest in companies with proven operating management in place, there can be no assurance that such management will continue to operate successfully. While it is the intent of the General Partners to augment the existing management team in certain circumstances by bringing in new management, there can be no assurance that such management will operate successfully. Although the Firm monitors the performance of each investment, the Funds rely upon management to operate the portfolio companies on a day-to-day basis.
- **Illiquidity.** Restrictions on the transfer of interests in the Funds result in highly illiquid investments that should only be acquired by investors able to commit capital for an indefinite period of time. Investors may not transfer their interests

in the Funds without the written consent of the respective General Partner (which may be withheld in its sole discretion) and the satisfaction of certain other conditions, including compliance with applicable securities laws.

- **Risk of Inadequate Return.** The returns on a particular Fund's investments, if any, may not be commensurate with the degree of risk of an investment in such Fund. Investors should have the ability to sustain the loss of their entire investment.
- **Capital Calls.** Each partner of a Fund will be required to meet capital calls of the Fund over an extended period of time. Failure by an investor to meet any capital call by such Fund could have adverse consequences for such Fund and its other investors.
- **Funds Not Registered.** The Funds are not registered under the Investment Company Act or any other U.S. federal or state securities laws or the laws of any other jurisdiction. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, which will not be applicable to the Funds.
- **Partner Giveback.** An investor in a particular Fund may be required to return distributions it has received from the Fund if such Fund is obligated to return distributions it has received from underlying investments because of an indemnification obligation of the Fund. In this event, the investor would be required to give back to the Fund its pro rata share of the amount the Fund is required to return, subject to certain limitations as set forth in such Fund's Limited Partnership Agreement or other governing documents, even though such investor already paid taxes attributed to such amounts, and at a time when such investor may not have sufficient cash to satisfy such giveback obligation.
- **Potential Conflicts of Interest.** Due to the other activities in which members and affiliates of the General Partner, the Firm, the Operating Executive Board and their respective officers, directors, employees and agents (the "JFL Parties") may engage, certain conflicts of interest could arise. While the applicable Fund's Limited Partnership Agreement contains certain protections for Limited Partners against conflicts of interest, it does not purport to address all potential conflicts. Investors should consider the following discussion of potential conflicts of interest when deciding whether to invest in the Funds.

Certain JFL Parties are engaged in a variety of business advisory activities in connection with its sponsoring and offering private investment funds. In the ordinary course of their businesses, certain JFL Parties may engage in activities in which their interests or the interests of their clients may conflict with or be adverse to the interests of the Funds. In addition, such clients may utilize the services of certain JFL Parties, for which they will pay customary fees and expenses which will not be shared with the Funds or the Limited Partners.

Certain JFL Parties have long term relationships with a significant number of portfolio companies and their respective senior management. Certain JFL Parties also have relationships with numerous investors, including institutional investors and their senior management. The existence and development of these relationships may influence whether or not the General Partner undertakes a particular investment on behalf of the Funds and, if so, the form and level of such investment. Similarly, the General Partner may take the existence and development of such relationships into consideration in its management of the Funds and its investments. Without limiting the generality of the foregoing, there may, for example, be certain strategies involving the management or realization of particular investments that the General Partner will not employ on behalf of the Funds in light of these relationships.

Subject to the limitations set forth in the Limited Partnership Agreements, JFLCO may establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the Funds. Allocation of available investment opportunities between the Funds and any Co-Investment Fund could give rise to conflicts of interest.

The Limited Partners are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such Limited Partners may have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests among the Limited Partners may relate to or arise from, among other things, the nature of investments made by the Funds, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner, including with respect to the nature or structuring of investments, that may be more beneficial for one Limited Partner than for another Limited Partner, especially with respect to Limited Partners' individual tax situations. In selecting and structuring investments appropriate for the Funds, the General Partners will consider the investment and tax objectives of the Funds and the Limited Partners as a whole, rather than the investment, tax or other objectives of any Limited Partner individually.

Questions regarding these risks may be directed to JFLCO and its management.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or an investor's evaluation of the Firm.

Item 10: Other Financial Industry Activities and Affiliations

Employees of JFLCO serve as the managing members for the General Partners of the Funds (JFL GP Investors II, LLC, JFL Investors, LLC and JFL GP Investors III, LLC). See Item 8 for discussion of potential conflicts of interest.

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

As required by Rule 204A-1 of the Investment Company Act, JFLCO has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers and employees of the Firm. The Code of Ethics describes the Firm's fiduciary duties and obligations to the Funds, and sets forth the Firm's practice of supervising the personal securities transactions of employees who maintain access to non-public information in connection with the business of the Funds.

The Firm collects and maintains records of securities holdings and transactions made by employees. The Firm reviews the personal trading practices of its employees to identify and resolve any potential or realized conflicts of interest and to protect against the misuse of material, non-public information.

As discussed in Item 6 above, each Fund contains numerous Co-Investor Funds which make additional investments in the same portfolio companies or fund new acquisitions. As discussed in Item 6 above, the General Partner or JFLCO will consult with the advisory committee of a Fund with respect to any matter as to which the General Partner determines in good faith that such a conflict of interest exists.

A copy of JFLCO's Code of Ethics is available upon request from any client of JFLCO.

Item 12: Brokerage Practices

Given the nature of private equity investing, the Firm does not utilize any brokerage platform or trade on any security exchanges. Portfolio companies are purchased and sold through a formal legal closing process.

Item 13: Review of Accounts

When a Fund takes a controlling interest in a portfolio company, the Firm takes a hands-on approach to management and partners with the management of the company to ensure its full potential is realized. The Firm supports each investment with human or capital resources required for further growth and monitors each company from acquisition through exit to identify opportunities for creating value.

JFLCO provides quarterly and annual reports to the limited partners. These reports include a summary of the Fund's capital commitments, investments and distributions, as well as periodic valuations of the portfolio companies. The reports also include a financial summary and a market outlook for each portfolio company.

In addition, the Firm provides the Funds' audited financial statements to the limited partners of each relevant Fund on an annual basis.

Item 14: Client Referrals and Other Compensation

None.

Item 15: Custody

The Firm and/or its affiliates are deemed to have custody of the Funds' securities and cash due to our role as general partner of the Funds. Assets of our Funds are held in the name of the Fund by an independent qualified custodian, or are private, un-certificated securities recorded on the books of the issuers in the name of the Fund. Quarterly reports are distributed to limited partners and each Fund is subject to an annual audit in accordance with U.S. generally accepted accounting principles by PriceWaterhouseCoopers, LLC. The audited financial statements are provided to the Fund's investors.

Item 16: Investment Discretion

JFLCO maintains discretionary authority over the selection and amount of portfolio companies to be bought or sold in the Funds without obtaining prior consent or approval of its clients. The Funds may impose reasonable restrictions on the investment discretion, such as geographical limitations or other parameters. These purchases or sales are subject to specified investment guidelines and limitations set forth in each respective Fund's Limited Partnership Agreement.

Item 17: Voting Client Securities

JFLCO, through the applicable Fund, typically maintains a controlling interest in each portfolio company; thus, proxies are not typically required. All business decisions are made in a collaborative effort between the firm and management.

Item 18: Financial Information

As of the date of this filing, JFLCO does not have any financial hardships or other conditions that might impair its ability to meet its contractual obligations to the Funds.