

## **Part 2A of Form ADV: Firm Brochure**

### **Item 1 – Cover Page**

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Radnor, PA 19087  
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March 29, 2013

This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Element Partners. If you have questions about the contents of this Brochure, please contact us at (610) 964-8004. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Element Partners is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Although Element Partners is registered as an investment adviser under the Investment Advisers Act of 1940, registration does not imply that Element Partners or its personnel have a certain level of skill or training.

**Item 2 – Material Changes**

There have been no material changes since the last version of this Brochure filed on February 14, 2012.

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#### **Item 4 – Advisory Business**

Element Partners (“Element,” or “the firm”) provides management and advisory services to investment partnerships that invest exclusively in established high growth companies in the energy and industrial resource efficiency markets. The firm specifically focuses on companies with innovative solutions to energy, industrial, and environmental challenges. Element strives to become a long-term partner with passionate business leaders who have built pioneering companies in its targeted markets. Element has a long history of providing its portfolio companies with the financial resources, industry contacts, and strategic insights necessary to maximize growth and shareholder return.

Element’s team has successfully managed over \$1.2 billion in capital commitments spanning six investment partnerships since 1995, making the firm one of the earliest and most experienced investors in its target markets. All of these partnerships have been focused on investing in and profitably growing energy, industrial, and environmental related businesses.

#### **Principal Ownership**

Element is a Delaware limited partnership. Its owners are David Lincoln, Michael Bevan and Michael DeRosa.

#### **Advisory Services**

Element is a private equity manager whose clients are private equity funds. Element’s clients do not include fund of funds or separate accounts. The investment strategies and restrictions relating to the firm’s funds are set forth in each fund’s private placement memorandum and/or limited partnership agreement.

#### **Assets Under Management**

As of December 31, 2012, Element had approximately \$859 million in assets under management.

#### **Item 5 – Fees and Compensation**

##### **Management Fees**

Element is a private equity funds manager. Management fees are typically paid quarterly in advance based on the aggregate capital commitments of each partnership, and deducted from the fund’s account. If there are insufficient assets, Element issues a capital call notice to investors. Management fees are generally not refundable absent certain circumstances described in each fund’s limited partnership agreement.

##### **Additional Fees and Expenses**

All fees (director’s, consulting, break-up, financial advisory or other), commissions, and other compensation (in whatever form, including stocks and options) from portfolio companies (excluding compensation issued to directors in the form of stock or options pursuant to an entity’s standard plan

for its directors) received by the principals of the funds, its general partner, or Element, are offset against the management fee.

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

### **Carried Interest**

The fee arrangement for Element’s funds typically include a performance fee, referred to as “carried interest,” on profits (net of fees and expenses) after the investment portfolio has achieved certain return hurdles as more fully described in the private placement memorandum, limited partnership agreement or investment management agreement, as applicable.

## **Item 7 – Types of Clients**

Element is a private equity manager whose clients are private funds that are offered to investors typically including public and private pension plans (both U.S. and non-U.S.), insurance companies, banks, endowments and foundations, among others.

### **Conditions for Managing Accounts**

Private funds managed by Element typically require investors to make a minimum commitment of \$5 million. The minimum may be waived at the discretion of the general partner of the fund.

Element’s private funds are neither registered under the Investment Company Act of 1940, nor are their interests registered under the Securities Act of 1933. Accordingly, interests in these funds are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in similar offshore transactions.

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

### **Strategy Overview and Related Risks**

Element’s team of investment professionals pursues an investment strategy for its private fund clients that combines their deep understanding of current opportunities and challenges specific to the energy, environmental and industrial resource efficiency sectors with their substantial historical investment experience in these markets.

Element’s strategy for each of its private funds includes: (i) focusing its investments on technology-based solutions to resource problems that are economically important to end-users; (ii) providing sufficient breadth and diversification in its portfolios, by sector, stage, and technology, to produce superior returns; (iii) emphasizing capital-efficient businesses with the potential to address multiple target markets; (iv) leveraging Element’s leadership position in its targeted sectors to access the most select deal flow, lead investments, and attract high-caliber co-investors; and (v) targeting investments where Element can build companies of significant value to strategic buyers and the public markets.

In its selection of investment opportunities for the funds, Element focuses on businesses that provide innovative and cost-effective products, services, and solutions to the energy, power, water, wastewater, emissions, materials, chemicals, manufacturing, and industrial markets. Element endeavors to invest fund assets in a diversified portfolio of businesses that address key resource

problems, and other economically important needs, of end users in these markets. Investments chosen by Element on behalf of the funds will apply enabling technologies such as advanced materials, power electronics, information technology, biotechnology, communications, and sensing equipment to solve the critical business needs of end users in the firm's targeted investment sectors.

Investments in private equity funds managed by Element involve risks that prospective clients and investors should consider. The firm cannot guarantee any level of performance or that clients and investors will not experience a loss of account assets. An investment in such a partnership should only be considered by persons who can afford to lose their entire investment. There can be no assurance that projected or targeted returns for a partnership will be achieved or that past performance will be indicative of future results.

In addition, there is concentration risk associated with investments in a single set of potentially related sectors. The funds managed by Element concentrate their investments in the energy, environmental and industrial resource sectors. Some of these sectors are inter-related, and investment in the funds managed by Element may involve greater risk than investing in a diversified portfolio of investments across a broader category of sectors. Thus, if the energy, environmental and industrial resource sectors decline, returns to the limited partners of the partnerships would be adversely affected.

Although certain of the sectors targeted by Element have recently benefited from a growth in demand for clean energy, public and governmental awareness of energy security, and a shift toward sustainability within many large corporations, a shift in focus by the public, governments or large corporations in these areas could adversely affect the viability of the portfolio companies in which the partnerships invest. Further, many of these portfolio companies are subject to meaningful government regulation, and there can be no assurance that the business of these companies will not be adversely affected by future legislation, new regulation or deregulation.

#### **Item 9 – Disciplinary Information**

There are no applicable legal or disciplinary events relating to Element or its investment professionals.

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

Element is not registered, nor does it have an application pending to register, as a broker-dealer, a futures commission merchant, a commodity pool operator, or a commodity trading advisor.

Element does not recommend or select investment advisers for the firm's clients.

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

##### **Code of Ethics**

Element has adopted a Code of Ethics (the "Code") that is designed to reinforce its institutional integrity. All Element personnel are "associated persons" of Element and deemed "access persons" subject to the Code. The Code sets forth standards for business conduct and addresses Element's policies and procedures on topics including:

- Conflicts of interest
- Confidentiality
- Insider trading
- Personal trading
- Outside business activities
- Gifts and entertainment
- Pay to play / political contributions

### **Personal Trading**

Among other things, the Code limits and monitors the personal trading activity of Element's access persons. These limitations seek to further Element's efforts to prevent access persons from personally benefiting from investment decisions for Element's clients. Specifically, the Code requires access persons and certain members of their households to "pre-clear" certain personal securities transactions with Element's Compliance Department prior to execution. Element limits its access persons' participation in initial public offerings and private placements.

Additionally, Element limits its access persons' ability to trade in the same securities at the same time that the firm's clients are trading in those securities. All access persons must provide Element with a listing of their securities holdings, as well as transaction information for certain types of securities. These restrictions and requirements of the Code apply to all accounts over which access persons have investment discretion, or in which they have a direct or indirect beneficial ownership interest, unless exempted.

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

As discussed in "Item 4 – Advisory Business," Element is a private equity investment manager whose clients are private funds. Private funds managed by Element are typically structured as limited partnerships where Element serves as the general partner or owns the general partner, and the general partner may make a capital commitment to the limited partnership.

While the general partner may have a financial interest in the fund, we believe that its interest is aligned with those of the fund's investors because the general partner makes capital contributions and receives distributions from the fund on the same terms as the other investors, as more fully described in the relevant limited partnership agreement. Accordingly, Element does not believe that it has a conflict of interest with respect to these arrangements.

### **Insider Trading/Material Non-Public Information**

All Element access persons are subject to Element's Insider Trading Policy and Procedures (the "Element Insider Trading Policy"). The Element Insider Trading Policy broadly prohibits the use of material, non-public information. Further, Element's Code also includes policies and procedures prohibiting the use of material non-public information that are designed to prevent insider trading by Element access persons.

In accordance with these policies, to prevent trading of public securities based on material, non-public information, Element maintains a “restricted list” that identifies any securities that cannot be purchased or sold for an access person’s account because material, non-public information may have been received by someone at Element.

### **Gifts and Business Entertainment**

Element’s Code includes policies and procedures regarding giving or receiving gifts and business entertainment between Element’s access persons and certain third parties (e.g., vendors, underlying portfolio fund managers, clients, consultants, etc.) to mitigate the potential for conflicts of interest surrounding these practices. In general, Element limits the value of gifts that may be given or received by access persons.

### **Political Contributions**

Element prohibits its access persons from making political contributions on behalf of Element, or from making political contributions for the purpose of securing or retaining business. Element maintains policies and procedures that set forth specific limitations as to whom access persons may make contributions and the amounts of such contributions, as well as pre-clearance requirements for political contributions.

### **Distribution of Code**

Element is firmly committed to making the firm’s access persons and clients (both current and prospective) aware of the requirements within the Code. All of the firm’s access persons are provided with a copy of the Code at the time of hire and annually thereafter, and they must affirm that they have received a copy of the Code, and that they have read and understand its provisions. Additionally, we conduct periodic compliance training that addresses the requirements of the Code and the other policies described in this Item. A copy of Element’s Code is also available to clients or prospective clients upon request, and may be obtained by contacting:

Element Partners  
Attention: Compliance Department  
Three Radnor Corporate Center, Suite 410  
100 Matsonford Road  
Radnor, PA 19087  
(610) 964-8004

### **Item 12 – Brokerage Practices**

Element’s private funds primarily invest in privately-offered limited partnership interests, and therefore do not have regular interactions with brokers/dealers who execute trades on their behalf.

### **Item 13 – Review of Accounts**

#### **Monitoring Existing Investments**

Element's investment professionals monitor client investments on a regular basis. Specifically, they maintain an active dialogue with underlying portfolio companies. This takes the form of substantive one-on-one reviews with portfolio company management. Typically, once an investment has been made, a senior investment professional (usually a Principal- or Partner- level professional) is assigned primary responsibility for overseeing the relationship with and activities of the portfolio company.

## **Reporting**

Investors in Element's private funds receive written quarterly reports. A typical report includes:

1. Portfolio performance
2. New investments made since the last report
3. Schedule of investments and portfolio company valuations
4. Updates on each portfolio company
5. Statement of Net Assets
6. Statement of Operations
7. Statement of changes in Partners' Capital
8. General firm updates

## **Item 14 – Client Referrals and other Compensation**

### **Compensation from Third Parties**

Element does not receive any monetary compensation or any other economic benefit from a non-client for Element's provision of investment advisory services to a client.

## **Item 15 – Custody**

Element is deemed to have custody over client assets by virtue of the firm's role as an affiliate of the general partner of our private funds. Assets of Element-managed funds are held in the name of the fund by an independent qualified custodian, or are private, uncertificated securities recorded on the books of the issuers in the name of the fund. Element distributes quarterly reports to fund investors and each of the firm's managed funds are audited annually.

## **Item 16 – Investment Discretion**

Element has investment discretion over its clients' assets, subject to any restrictions in the funds' offering memoranda.

## **Item 17 – Voting Client Securities**

Due to the nature of the portfolio companies in which Element's private funds invest, the funds are seldom asked to cast votes at corporate issuers' shareholder meetings. In such cases, Element has policies and procedures governing how proxies should be voted, including how to handle any conflicts of interest.

If you would like a copy of Element's Proxy Policy, please contact:

Element Partners  
Attention: Compliance Department  
Three Radnor Corporate Center, Suite 410  
100 Matsonford Road  
Radnor, PA 19087  
(610) 964-8004

**Item 18 – Financial Information**

Element has no financial condition that impairs the firm's ability to meet its contractual and fiduciary commitments to our clients, and Element has not been the subject of a bankruptcy proceeding.