

**Item 1: Cover Page**

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This brochure (the “Brochure”) provides information about the qualifications and business practices of LLM Capital Partners LLC (“LLM”). If you have any questions about the contents of this Brochure, please contact us at (617) 330-7755. 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.

Registration with the SEC does not imply any level of skill or training.

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

**Item 2: Material Changes**

There are no material changes. This is LLM's initial brochure filed with the Securities and Exchange Commission.

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

LLM Capital Partners LLC ("LLM") manages private equity funds (collectively the "Funds") that invest in operating companies. LLM has the responsibility and authority for the selection of investments and management of the Funds. The Funds are structured as limited partnership vehicles, in which the investors are Limited Partners and an affiliate of LLM serves as the General Partner. LLM refers to the Funds as the "Clients".

LLM was formed in 2004 as a Delaware limited liability company. LLM is owned by Landers Moseley Capital Group LLC and Jeffrey M. Lane. The Principals of LLM are Frederick S. Moseley IV, Patrick J. Landers and Jeffrey M. Lane (the "Principals"). Landers Moseley Capital Group LLC is owned by Frederick S. Moseley IV and Patrick Landers.

LLM's provision of investment advice to each Client is governed exclusively by the terms of the Client's applicable organizational documents, generally an offering memorandum, governing documents and subscription agreement. All discussions in this Brochure of the terms, investments strategies, fees and risks applicable to a Client are qualified in their entirety by reference to the applicable organizational documents.

As of September 30, 2013, LLM has \$59,114,219 in assets under management. Assets under management is defined as the current net asset value of the investments of all Funds (including any escrowed dollars, but not including prior distributions) as of September 30, 2013 plus capital committed but not yet contributed.

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

LLM receives management fees from three of the Funds as compensation for the investment management and administrative services it provides to the Funds. LLM is paid an annual management fee equal to 2% of the committed capital of the Funds during the investment period. Thereafter, LLM is paid 2% per annum of the commitments drawn less aggregate net unrealized losses and returns of capital. The management fee is paid semi-annually and less than six months in advance.

Fees are negotiated during the formation of the investment funds organized by LLM and prior to the execution of fund subscription agreements and partnership signature pages.

The General Partner uses two methods to deal with fees. One method is to call capital from the Limited Partners to cover management fees and other expenses. The other method is to retain from distributable portfolio investment realization proceeds enough to cover management fees and other expenses. Amounts retained from realization proceeds to cover management fees and expenses are treated as capital contributions for each of the Limited Partners. Capital is usually called at least twice per year to cover management fees and other expenses, unless the funds have realization proceeds that can be retained to cover management fees and expenses. The Funds also call capital periodically to make portfolio investments.

Other expenses that the Fund Limited Partners are allocated include audit and tax return preparation, legal, consulting, accounting services, Directors' and Officers' insurance and corporate filing fees.

Fund Limited Partners may pay management fees and other expenses in advance, but historically Limited Partners have paid management fees and other expenses based on capital calls received from the General Partner. Unearned management fees and other expenses will be distributed to the Limited Partners based on the distribution provisions of the Fund partnership agreements.

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

An affiliate of LLM which acts as General Partner of the Funds has entered into performance-based fee arrangements with three of the Funds. Such fees entitle the General Partner to a percentage of the profits of the three Funds, customarily referred to as "carried interest," which is 20% and is contingent on the Funds achieving certain investment performance hurdles. The other Funds do not pay performance fees. See Item 8 for discussion related to Conflicts of Interest.

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

LLM has six Clients that invest principally in private equity and equity-related investments in companies or similar investment vehicles that have significant potential for value creation. Investors in the Funds managed by LLM may include high net worth individuals and a variety of institutional investors (e.g. trusts, employee benefit plans, endowments, foundations, corporations and other types of entities, including private funds of funds). All investors are required to be "accredited investors" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act")), or otherwise permitted to invest under applicable securities laws. The minimum investment is at least \$100,000.

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

##### **Methods of Analysis: Investment Strategy**

LLM focuses on investing in small and middle-market private and public companies that require capital for growth. Typical investment targets have a track record of growth and superior margins and are managed by capable, entrepreneurial management teams that have significant capital at risk. LLM's investment strategy is applicable across a broad range of industry sectors, including healthcare services, business services, financial services and manufacturing. These are the sectors in which the LLM Principals have had prior experience and investment success.

Each of the Funds invests in non-control transactions. The majority of the investments are in the form of structured equity, which are privately-negotiated, credit-conscious investments, usually in the form of preferred stock, that provide investors with a

significant equity stake in a company through common stock or warrants (“Structured Equity”). These investments may also contain contractual rights, restrictions and covenants that limit a portfolio company’s ability to deviate from its strategic plan without LLM’s consent.

LLM uses fundamental analysis. LLM’s investment approach involves intensive due diligence, including a detailed credit and pricing analysis where a thorough evaluation of the target company, its management, and its competitive environment is undertaken in conjunction with a determination of whether a transaction is attractively priced. LLM thoroughly assesses management’s capabilities and the company’s financial condition, while reviewing competitive and market factors which could impact the likelihood of operating success. In keeping with its desire to protect the principal amount of its investment, LLM’s credit analysis focuses on the company’s ability to generate sufficient cash flow to repay its obligations over an acceptable timeframe. Simultaneously, LLM’s investment professionals determine if a transaction is priced conservatively enough to generate superior returns over the long-term by evaluating comparable completed transactions and comparable public company trading multiples, assessing the long-term prospects of the company and relying upon judgment developed from prior investment experience.

## **Material Risks**

All types of investing involve a certain amount of risk, including the loss of all invested funds. Investors in the Funds should be prepared for the loss of their investment including specific risks of loss associated with the investment in private equity securities. Additionally, investors in the Funds are advised of certain risks, which are fully disclosed in the offering memorandum for each Fund. These include, but are not limited to:

## **Nature of Investment**

An investment in the Funds requires a long term commitment with no certainty of return. In the near term, cash flow available to the Limited Partners is likely to be limited. Most of the Funds’ investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize on such investments in a timely manner. Dispositions of such investments may require a lengthy time period or may result in distributions in kind to the Limited Partners of the Funds. Generally, the Funds will not be able to sell these securities publicly except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144 of the Securities Act or another exemption under such Act. The securities in which the Funds will invest will generally be junior in what will typically be a complex capital structure, and thus subject to the risk of loss. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Since the Funds may only make a limited number of investments, poor performance by a few of the investments could severely affect the total returns to the Limited Partners of the Funds.

## **Investment Performance**

The performance of the Principals' prior investments is not necessarily indicative of the Funds' future results. While LLM expects that the Funds will make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that the targeted internal rate of return will be achieved. On any given investment, loss of entire principal is possible.

## **General Risks Applicable to the Industry**

The success of portfolio companies will be subject to all risk factors generally affecting the business sectors in which they operate, including, among others, the impact of rapid technological changes, changes in federal and state regulation, general market acceptance of new products and services, significant capital requirements, and the potential for increasingly intense competition.

## **Difficulty of Locating Suitable Investments**

Although the Principals may have been successful in identifying suitable investments in the past, the Funds may be unable to find a sufficient number of attractive opportunities to meet their investment objectives. The past investment performance of transactions led by the Principals cannot be relied on as an indicator of the Funds' future performance or success. In addition, the business of identifying, negotiating, acquiring, monitoring, managing and selling investments is highly competitive, and involves a high degree of uncertainty. The Funds will encounter competition from other persons or entities with similar investment objectives.

## **Concentration of Investments**

The Funds will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Funds' investment portfolio could become highly concentrated and their aggregate returns may be affected substantially by the performance of a few holdings. Furthermore, to the extent that the capital raised is less than the target amount, the Funds may invest in fewer portfolio companies and thus be less diversified.

## **Non-controlling Investments**

The Funds will typically hold a non-controlling interest in a portfolio company and, therefore, will have a limited ability to direct the actions of such company's Board of Directors in order to better protect or manage its investment. Generally, as a condition to any investment, the Funds will seek to obtain special rights and protective provisions which would be intended to provide the Funds with some level of control over the portfolio company, at least as to major corporate decisions. There can be no assurance, however, that the Funds will be able to obtain such protective provisions or that, if such protective provisions are obtained, that they will be effective.

### **Need for Follow-On Investments**

Following its initial investment in portfolio companies, LLM anticipates that the Funds may be called upon to provide additional funds to portfolio companies or may have the opportunity to increase its investment in a successful portfolio company. Although the Funds may use capital commitments to make follow-on investments, there is no assurance that the Funds will provide all necessary follow-on capital. Accordingly, third-party sources of financing may be required, but there is no assurance that such additional sources of financing will be available, or, if available, will be on terms favorable to the Funds. Furthermore, the Funds' capital is limited and may not be adequate to protect the Funds from dilution resulting from multiple rounds of financings of portfolio companies. If the Funds do not have capital available to participate in subsequent rounds of financing, failure to participate may have a significant negative impact on the portfolio company as well as the value of the Funds' investment.

### **Reliance on General Partner and Principals**

The Limited Partners of the Funds have no opportunity to control the day-to-day operations of the Fund. The Limited Partners of the Funds must rely entirely on the General Partner and the Principals to conduct and manage the affairs of the Fund. The success of the Funds will depend significantly on the business and investment acumen of the Principals. As such, the death, disability or withdrawal of any of the Principals could have a material adverse effect on the operations of the Funds.

### **Reliance on Portfolio Company Management**

Although the Funds intend to invest in companies with strong and stable management teams, there can be no assurance that the existing management team of a portfolio company of the Funds, or any new one, will be able to operate such company successfully. Furthermore, although LLM will monitor the performance of each portfolio company of the Funds, it will be primarily the responsibility of company management to operate the business on a day-to-day basis.

### **Director Liability**

The Funds typically receive the right to appoint representatives to the Board of Directors of the companies in which they invest. Serving on the Board of Directors of a portfolio company exposes the Funds' representatives, and ultimately the Funds, to potential liability. Although portfolio companies often have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may be insufficient if obtained.



## **Risks of Disposition of Investments**

In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. The Funds may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Limited Partners to the extent of their commitments.

## **Conflicts of Interest**

Investments in the Funds may involve complex tax, structural and other considerations that may differ for individual investors. In selecting and structuring investments and divestments for the Funds, LLM will consider the investment and tax objectives of each Fund as a whole, not the investment, tax or other objectives of any particular investor. In addition, the General Partner will receive a carried interest in the Funds. Because the carried interest is payable only on profits, LLM may have an interest in increasing the General Partner's profits on assets at the expense of a more conservative investment strategy that focuses on the return of invested capital.

## **Other Ventures**

LLM and its affiliates may become involved in a variety of investment-related and non-investment-related activities. Except as set forth below, LLM and its affiliates may engage independently or with others in other business activities of every nature or description and neither the Funds nor any investors will have any rights in and to such independent ventures or the income or profits derived therefrom.

In the future, LLM and/or its affiliates may organize other investment funds with investment objectives and policies similar to the Funds except that, without the prior approval of the investors, neither LLM nor its affiliates will make investments on behalf of, or cause investments to be made by another limited partnership or other investment vehicle with investment objectives substantially similar to those of the Funds.

LLM and its affiliates may have conflicts of interest allocating management time, services, functions and investment opportunities among the Funds and other ventures and may give advice and take actions with respect to other ventures that differ from advice given or actions taken with respect to the Funds. In particular, there may be a conflict of interest between the Funds and such other ventures with respect to which of them will acquire an investment that is suitable for more than one of them. LLM will attempt to allocate investment opportunities to the Funds over a period of time on a fair and equitable basis, but there can be no assurance that any particular opportunities will be allocated to the Funds. In determining the suitability of a particular investment opportunity for the Funds or for another fund managed by the General Partner or LLM,

LLM will attempt to consider all relevant factors, including, among other things, the nature and amount of the investment, the investment objectives of the Funds and such other fund, the present composition of the portfolio of the Funds and such other fund, and the amount of assets of the Funds and such other fund available to make such investment. Based on these factors, LLM may recommend an investment to a fund even though LLM has not recommended the investment to one or more other funds with assets available for investment. The possible taking of inconsistent investment positions could result in a situation where the position taken for the Funds is unprofitable while the position taken on behalf of another fund managed by LLM or its affiliates is profitable.

Some of the companies in which other ventures of LLM and its affiliates in the future may have an interest could compete with one or more of the Funds' portfolio companies for customers, suppliers, credit or business opportunities. In addition, some of the enterprises for which LLM in the future may provide consulting and other services may compete with the Funds' portfolio companies. In such cases, there could be conflicts of interest in the allocation of management resources and business opportunities among such businesses and ventures and the Funds' portfolio companies. LLM will endeavor to resolve all such conflicts in a reasonable manner, but there can be no assurance that any such resolution will be in the manner most favorable to the Funds. There can, accordingly, be no assurance that such conflicts will not adversely affect the interests of the Funds.

### **Confidential Information**

The private placement memoranda of the Funds contain confidentiality provisions intended to protect proprietary and other information relating to the Funds and the Funds' portfolio companies. To the extent that such information is publicly disclosed, competitors of the Funds and/or competitors of their portfolio companies, and others, may benefit from such information, thereby adversely affecting the Funds, their portfolio companies, the General Partner, and the economic interests of the Limited Partners.

### **Restrictions on Transfer and Withdrawal**

Limited partnership interests in the Funds are highly illiquid, have no public market and are not transferable except with the consent of the General Partner, which may be withheld in its sole discretion. Limited Partners may not withdraw capital from the Fund. Consequently, Limited Partners may not be able to liquidate their investments prior to the end of the Fund's term.

### **Securities Law Matters**

Interests in the Funds are not registered under the Securities Act or any other securities laws, including state securities or blue sky laws. Interests will only be offered and sold to accredited investors as defined in Rule 501 of Regulation D under the Securities Act. Interests will be offered without registration in reliance upon the Securities Act

exemption for transactions not involving a public offering. Investors will be required to make certain representations to the Fund, including that they are acquiring an interest for their own account, for investment purposes only and not with a view to its distribution, and that they have the ability to bear the economic risk of an investment in the Fund.

### **Taxation**

Certain risks related to an investment in the Funds are discussed in the private placement memorandum of each of the Funds. Investors are urged to consult their own tax advisors with respect to their own tax situations and the effect of an investment in a Fund.

### **Representation**

The attorneys, accountants and other professionals who perform services for the Funds may and in some cases do perform services for LLM or its affiliates.

### **Limitation of Risk Disclosures**

The description of risks in this Item 8 does not purport to be a complete enumeration or explanation of the risks involved in LLM's investment program. In addition, as LLM's investment program develops and changes over time, investors of the Funds may be subject to additional and different risk factors.

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

LLM has not been subject to any disciplinary matters.

Frederick S. Moseley IV is a principal of LLM and holds an interest in Landers Moseley Capital Group LLC ("LMCG"), a partial owner of LLM. On March 10, 2004, the Connecticut Department of Banking issued an Order denying Mr. Moseley's registration in Connecticut as an agent of Landers, Lane & Moseley Capital Partners LLC, a FINRA registered broker-dealer, now known as Annascaul Advisors LLC, and fining him \$20,000. The Department found that Mr. Moseley violated Section 36b-23 of the Connecticut Uniform Securities Act and Section 36b-31-14e(a) of the Regulations of Connecticut State Agencies, by failing to state on his Form U-4 Application that he controlled an entity which had been indicted or convicted of a felony. Although Mr. Moseley's Application disclosed his position as President of Triumph Capital Group ("Triumph"), he also should have checked a "yes" box on the Application in response to a question regarding whether he exercised "control" over Triumph, based on the presumption of control resulting from his position with Triumph. In 2003, Triumph and its General Counsel were convicted of certain criminal charges, and the Chairman of Triumph pled guilty to a single charge, relating to certain payments made in order to obtain investments by Connecticut State Pension Funds in private equity funds managed

by Triumph. Neither Mr. Moseley, nor to his knowledge any other Triumph employee, was implicated or alleged to be involved in any way in these wrongdoings.

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

LMCG owns 75% of LLM and 99% of Annascaul Advisors LLC (“Annascaul”), an SEC-registered broker-dealer and a member of FINRA. There is no contractual or ongoing business relationship between the LLM and Annascaul.

#### **Item 11: Code of Ethics**

LLM has adopted a Code of Ethics (“Code”) designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”). The Code establishes rules of conduct for employees and addresses employee personal securities trading, misuse of confidential information, misuse of material non-public information and political contributions. LLM’s Code includes policies and procedures for the review of quarterly personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm’s “Supervised Persons” (as defined in the Code). Among other things, LLM’s Code also requires the prior approval of any acquisition of securities in a limited offering (e.g. private placement) or an initial public offering. LLM’s Code provides for oversight, enforcement and recordkeeping. See also Item 8 for discussion of related Conflicts of Interest.

LLM’s reputation for fair and honest dealing has taken considerable time to build. The Code reminds employees of the ethical standards maintained by LLM and its affiliates. All employees are required to acknowledge receipt of the Code of Ethics annually. A copy of the Code of Ethics is available upon request.

The Funds operated by LLM do not make investments in businesses in which LLM or a related person has a material financial interest other than as a result of its interest in the Funds.

#### **Item 12: Brokerage Practices**

LLM only engages in private equity investment for its affiliated Clients. LLM does not receive soft dollar benefits. Most transactions are completed directly with the private companies. However, investment opportunities may occasionally arise where a company is represented by a FINRA member broker-dealer, a foreign broker dealer or another investment adviser. Should such an opportunity arise and LLM believes it is an appropriate transaction for the Client, it will assure that the Client is receiving the same or better execution and pricing as any other investor that is participating in the transaction.

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

Each Fund has specific investment criteria and limitations set forth in the organizational documents of the Fund. Any investment for that Fund will be evaluated by LLM's Investment Committee, composed of the Principals and a representative of CMS Companies, to assure it satisfies the particular investment criteria and limitations applicable to that Fund. An affiliate of the CMS Companies is a Limited Partner in several of LLM's funds and is a Limited Partner in the General Partner. After an investment is made by a Fund, LLM's Investment Committee will continuously monitor the investment for the Fund. Any decision to sell securities held by a Fund is made by members of LLM's Investment Committee for that Fund. Portfolio reports are prepared for all Funds. They are furnished to the Funds and investors in the Funds as agreed upon in the partnership agreements or other organizational documents of the Funds. These reports are provided quarterly.

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

LLM does not pay nor is it compensated for Client referrals.

### **Item 15: Custody**

LLM and its affiliates are deemed to have custody by virtue of their status as investment manager and General Partners or managers to the Funds. Citizens Bank, Fidelity Investments and Deutsche Bank Securities act as qualified custodians for the Clients' cash accounts, and to the extent any securities are in certificate form, for such securities. LLM does not use the qualified custodians to send quarterly account statements directly to the Limited Partners. Instead, the Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each of the Funds' respective investors. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the applicable Fund's fiscal year end. Unaudited financial statements are also distributed to the Funds and to investors quarterly. See also Item 13. Investors should carefully review all such statements.

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

Subject to the investment objectives, policies and restrictions of each Fund as set forth in its limited partnership agreement or other organizational agreements, LLM has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Fund.

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

Securities held by the Clients do not typically allow for the exercise of voting authority. However, if a Client was solicited to vote a security, LLM would, in its sole discretion,

vote in a manner which it reasonably believes furthers the economic interest of such Client with the objective of maximizing the ultimate economic value of the Client's investments. In the event of an actual or perceived conflict of interest between LLM and one of its Clients with respect to a vote, such conflict will be referred to LLM's Investment Committee for discussion prior to such vote being submitted.

A copy of the LLM's proxy voting policies and procedures, including information about any securities voted by the Clients, may be obtained by contacting LLM using the contact information listed on the cover page of this brochure.

### **Item 18: Financial Information**

Subject to the investment objectives, policies and restrictions of each Fund as set forth in its limited partnership agreement or other organizational agreements, LLM has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Fund. LLM does not solicit prepayment of more than \$500 in fees per Client, six or more months in advance. Currently, there is no known financial condition that is reasonably likely to impair LLM's ability to meet its contractual commitments with its Clients.