

Item 1– Cover Page

PALLADIUM EQUITY PARTNERS ADVISOR, L.L.C.

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

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

Item 2- Material Changes

This Item of the brochure discusses material changes made to the brochure, which was last updated on March 30, 2014. As of September 19, 2014, former Palladium Managing Director Alex Ventosa is no longer with the firm.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Eugenie Cesar-Fabian at (212) 218-7755.

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Item 4- Advisory Business

Palladium Equity Partners Advisor, L.L.C., located in New York, New York, is an investment advisor to multiple pooled investment vehicles commonly known as private equity funds (collectively, the “Funds”). Palladium Capital Management, L.L.C., Palladium Capital Management III, L.L.C., and Palladium Capital Management IV, L.L.C. are responsible for carrying out the day-to-day investment activities of the Funds and each is under common ownership and control by Palladium Equity Partners Advisor, L.L.C. (the “Investment Managers”). Certain other affiliates are responsible for serving as general partners of the Funds (the “General Partners”). For purposes of this brochure, “Palladium” or the “Firm” includes the Investment Managers and General Partners. Palladium was founded in 1997. Palladium Equity Partners Advisor, L.L.C. was organized in May 2011, and is principally owned by the most senior investment professionals of the Firm: Marcos A. Rodriguez (Managing Member/CEO), David Perez (President and Chief Operating Officer), Kevin L. Reymond (Chief Financial Officer), Erik A. Scott (Managing Director) and Luis Zaldivar (Managing Director). There are no non-employee owners of Palladium.

All of the Funds to which Palladium provides investment advice are exempt from registration as an “investment company” under Section 3(c)(7) of the Investment Company Act of 1940 (the “Company Act”). Investments in the Funds are only offered to qualified investors via private placements of securities that are exempt from registration with the SEC under the Securities Act of 1933 (the “Securities Act”). Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable General Partner pursuant to each Fund’s written investment guidelines and governing documents, and not individually to the investors in the Funds. Investors may not impose restrictions on a Fund’s investments.

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

As of September 30, 2014, Palladium managed approximately \$2.4 billion in client assets, all of which is managed on a discretionary basis. Please note that this figure remains subject to Palladium’s final 2014 fiscal audit process.

Item 5- Fees and Compensation

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

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

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

Palladium may also receive fees in addition to the Management Fee, including certain performance-based distributions as described in Item 6, "Performance-Based Fees and Side-by-Side Management." Any additional fees are described in each Fund's governing documents, and may also include net break-up and topping fees, net monitoring and directors' fees, net organization fees, net set-up fees, net advisory fees, net consulting fees, net management fees, net investment banking fees, net closing and transaction fees and other similar fees. The Management Fee may be reduced by a portion, or by the entire amount of such fees, as set forth in the governing documents of each Fund. The Management Fee may be further reduced, waived or rebated at Palladium's discretion, as provided in each Fund's governing documents.

In addition, the Funds are responsible for expenses related to their operations, as described in each Fund's governing documents. Such expenses may include (but are not limited to) fees, costs and expenses (i) incurred in connection with developing, negotiating, structuring, purchasing, settling, monitoring, holding, disposing and liquidating actual and prospective investments and (ii) related to third party expenses, including (but not limited to) expenses of any custodians, attorneys, accountants, auditors, valuation firms, tax advisors, third-party administrators, brokers, agents or other advisors and professionals. The Funds are also generally responsible for brokerage commissions, custodial expenses and other investment costs actually incurred in connection with investments; interest on and fees and expenses arising out of Fund borrowings; out-of-pocket expenses incurred in connection with a Fund's legal and regulatory compliance with laws and regulations; the cost of litigation, D&O liability or other insurance and indemnification; expenses of liquidating a Fund; taxes, fees and associated expenses incurred in connection with any tax audit, investigation, settlement or review of a Fund; expenses of any annual investor meeting; and the expenses of any investor advisory committees.

Other than as described herein, and pursuant to each Fund's offering documents (as applicable), neither Palladium nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

The General Partner of each Fund typically receives a portion of the profits of the affiliated Fund if certain thresholds for Fund performance are met. This is referred to as "Carried Interest." The performance thresholds necessary for Carried Interest to be paid are set forth in each Fund's organizational documents, offering documents, and governing partnership agreements. If Carried Interest is paid to the General Partner, it is separate and distinct from the Management Fees charged for advisory services. If Carried Interest is paid, the fee amount is withheld from investment proceeds that would otherwise be distributable to Fund investors, and all investors are provided written notice of the fee payment. A General Partner may, in its discretion, waive or reduce an investor's obligation to pay Carried Interest.

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

Item 7- Types of Clients

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

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

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

The Funds invest primarily in lower middle-market private companies, with a general aim to invest in companies with revenues of approximately \$25 million to \$500 million, although certain investments may fall outside this range. The Funds focus on investing in companies in sectors in which the Firm's principals have substantial experience, though the specific strategy or focus may differ from Fund to Fund. These sectors include consumer, services, financial, healthcare, industrial, and media.

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

An investment in any Fund involves a high degree of risk and potential conflicts of interest, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Fund and for which the Fund does not represent a complete investment program. There can be no assurance that any Fund will meet its investment objectives or otherwise be able to carry out its investment program successfully or that an investor will receive a return of its capital. In addition, there can be no assurance that any Fund will be able to avoid losses, generate returns for investors or that returns will be commensurate with the risks of the Fund's investments. A Fund investment should only be made by persons that can afford a loss of their entire investment. The possibility of partial or total loss of capital will exist, and an investor contemplating an investment in a Fund must be both prepared and able to bear capital losses that may result from such investment.

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

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

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to locate and complete investments that satisfy its investment objectives or that it will be able to fully invest its committed capital.

Illiquid and Long-Term Investments. Investment in a Fund requires a long-term commitment with no certainty of return. Many Fund investments will be highly illiquid, and there can be no assurance that

such Fund will be able to realize such investments in a timely manner. Although investments may sometimes generate some current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, it is not generally expected that this would occur for a number of years after the investment is made.

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

Non-U.S. Investments. The Funds may invest in securities of non-U.S. issuers. Investing in non-U.S. securities involves risks relating to (i) currency exchange matters, including fluctuations in the rates of exchange and costs associated with currency conversion; (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets, absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and varying degrees of government supervision and regulation; (iii) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital; and (iv) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities.

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

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

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

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

Item 9- Disciplinary Information

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

Item 10- Other Financial Industry Activities and Affiliations

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

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

Certain affiliates of Palladium serve as General Partners or Investment Managers of the Funds. For a description of the conflicts related to such arrangements, please refer to Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."

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

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

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

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

The Firm monitors employees' personal trading via its compliance program, and any trading that violates the Code may result in further inquiry by Palladium's Chief Compliance Officer and may lead to sanctions by the Firm, including possible termination of employment.

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

Palladium and certain employees and affiliates of Palladium may invest in a Fund through its affiliated General Partner. The conflicts of interest encountered by the Firm and the Funds may include those described in Item 11, although this discussion is not exhaustive and does not necessarily describe all of the conflicts that may be faced by the Firm and the Funds. Other conflicts may be disclosed throughout this brochure and in the offering documents of each Fund, and these materials should be read carefully and in their entirety. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

In certain cases, and subject to each Fund's governing documents, which may include a requirement to secure approval from the Fund's Limited Partners Advisory Committee, the Firm may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions may create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Firm might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Firm, its affiliates and/or their professionals (i) may have significant investments, or intentions to invest, in a Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect

interest in the investment (such as through certain other participations in the investment).

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

In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Funds. Such transactions are subject to the policies and procedures set forth in the Firm's Code of Ethics.

Item 12- Brokerage Practices

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

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

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

Item 13- Review of Accounts

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

Currently, Palladium utilizes a process of sharing investment ideas, implementing investment decisions and reviewing current investments through a series of ongoing meetings held among members of the Firm's investment personnel (the "Weekly Meetings"). The Weekly Meetings generally focus on new deal generation, portfolio monitoring, and decision-making, and are attended by investment professionals holding the position of Analyst and up, including the Firm's Associates, Vice Presidents, Principals, Managing Directors, General Counsel and Chief Compliance Officer, Chief Financial Officer, President and Chief Operating Officer, and Managing Member/CEO.

In addition, the Firm's Managing Directors, Principals, General Counsel and Chief Compliance Officer, Chief Financial Officer, President and Chief Operating Officer, and Chairman and Chief Executive Officer meet weekly to discuss important issues of the firm ("Partners Meetings"). During such Partners Meetings, a number of important matters are reviewed and discussed, including matters related to new deals activity, a review of the portfolio, compliance, investor relations matters, and other important general management matters.

Audited financial statements are provided via written reports to investors in each Fund generally within 90 days of the end of the Fund's fiscal year (see Item 15, "Custody"). Unaudited financial statements and investor-specific account statements are generally provided via written reports to investors in each Fund on a quarterly basis. In addition, each Fund's investors are invited to participate in an annual investor meeting at which Palladium reports on the Fund's portfolio investments and performance. The Firm may also hold investor update calls from time to time on an as-needed basis.

Item 14- Client Referrals and Compensation

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

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

Item 15- Custody

It is Palladium's policy to cause each Fund with assets over which Palladium is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 90 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, Palladium will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

Item 16- Investment Discretion

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

Item 17- Voting Client Securities

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

The guiding principle by which the Firm Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund's holdings, taking into account the relevant Fund's investment horizon and guidelines, any contractual obligations under the relevant advisory agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Firm does not permit Votes to be influenced in any manner that is contrary to, or dilutive of, this guiding principle. A copy of Palladium's policies and procedures with respect to Votes and the Funds' voting records will be provided to an investor upon written request to the Chief Compliance Officer at the contact information provided on the cover page.

When a conflict arises between the Firm and a Fund with respect to a Vote, such conflicts must be promptly brought to the attention of the Firm's Chief Compliance Officer by the investment professional employee or employees who are or become aware of such situation. Purported conflicts of interest are submitted to the Firm's Risk Management Committee for consultation. In addition, conflicts of interest may need to be brought to the attention of a Fund's advisory committee, depending upon such Fund's governing documents.

Item 18- Financial Information

Palladium does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, the Firm has not included a balance sheet and does not have any disclosure applicable to this Item 18, "Financial Information."

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