

Part 2A of Form ADV: Azalea Management Company, LLC - *Brochure*

Item 1 - Cover Page

August 8, 2014

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This Brochure provides information about the qualifications and business practices of Azalea Management Company, LLC. If you have any questions about the contents of this brochure, please contact us at (864) 235-0201 or at www.azaleacapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Azalea Management Company, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” which amends the disclosure document that Azalea Management Company, LLC (the “Adviser”) provides to clients as required by SEC rules. This is the initial “brochure” (as the same may be amended from time to time, the “Brochure”) prepared by the Adviser pursuant to such rules.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The Adviser will also reference in this Item the date of the last annual update of this Brochure.

Pursuant to applicable regulations, the Adviser will deliver to each of its clients a summary of any material changes to this and subsequent Brochures within 120 days of the close of each fiscal year. The Adviser may also provide additional disclosures or other information about material changes as necessary.

From time to time, without charge, the Adviser will also provide clients with a new Brochure as necessary to reflect material changes or new information.

Currently, our Brochure may be requested by contacting the Adviser’s Chief Compliance Officer at (864) 235-0201.

Additional information about the Adviser is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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Item 4 - Advisory Business

- A. The Adviser is an investment advisory firm located in Greenville, SC that specializes in providing strategic equity capital to privately owned, lower middle-market firms located primarily in the Southeastern United States to facilitate management buyouts, business recapitalizations, and growth plans. The Adviser provides investment advisory services on a discretionary basis to limited partnerships which operate as private funds¹ (each, a “Client”, and together, the “Clients” or each, a “Fund”, or together, the “Funds”).

The Adviser was established in 2013 by Messrs. Patrick A. Duncan, R. Patrick Weston, and Marshall H. Cole, III and FCG AZALEA, LLC, the principals of the Adviser (the “Principals”). The Principals are the equity owners of the Adviser.

- B. Investment advisory services include working with the Client to establish an investment objective and the Adviser identifies investment opportunities for and participates in the acquisition, management, monitoring and disposition of investments of its Clients. Limited partners of the Adviser’s Clients, which include high net worth individuals (qualified investors) and institutional investors, commit funds (capital commitments) for the Adviser’s Clients to call and invest at their discretion. Each Client portfolio is managed pursuant to an investment management agreement with the Client, any investment guidelines attached thereto, the Client’s investment policy, and any applicable regulations.
- C. While each of its Clients generally follows the strategy stated above, the Adviser may tailor the specific advisory services with respect to each Client on the individual investment strategy of each Client.
- D. The Adviser does not participate in wrap fee programs.
- E. As of July 7, 2014, the Adviser has approximately \$95,000,000 under discretionary management.

¹ Private funds are entities which would be considered an “investment company” within the meaning of the Investment Company Act of 1940 but for 3(c)(1) or 3(c)(7) exemption.

Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser is compensated in connection with providing advisory services to its Clients. The Adviser may enter into different fee arrangements on a Client by Client basis.

Management Fees. Clients pay a management fee to the Adviser as compensation for its management services. The fee is equal to a percentage of the limited partners' total capital commitments. Until the end of a specified investment period, the management fee percentage shall be 2.0% per annum of the total capital commitments. Thereafter, the annual management fee will be 2.0% per annum of the invested capital. The management fee is billed periodically via a capital call to limited partners of each Fund and payable by the Fund quarterly in advance on the first day of each calendar quarter.

Performance-based fees. The Adviser does not charge performance-based fees. However, a portion of each Fund's investment profit is allocated to the capital account of the general partner as "carried interest".

In the event of an early termination of the Fund, the management fee for the quarter of the termination would be determined on a prorata basis based on the number of days the fund was operating in that quarter.

- B. Management Fees are generally billed directly to Clients and the fees paid by the Client's custodian on the approval of the Client.
- C. Client accounts may be subject to other third party fees and/or expenses, which may vary based on the amount of assets managed and the types of investments in the Client's account. These fees may include certain custodial fees and transaction fees.

The Adviser does not maintain any trading accounts and does not use "soft" dollars.

Please refer to Item 12, Brokerage Practices, for more information.

- D. As stated above, Management Fees are payable quarterly. The Adviser will refund any pre-paid Management Fees by a Client if the advisory contract with such Client is terminated before the end of the billing period. Management Fee refunds are calculated on a pro-rata basis for partial periods.
- E. The Adviser typically performs management, transaction related services and other services for actual and prospective portfolio companies. Additionally, a portfolio company may reimburse a Fund for specific expenses incurred on behalf of that portfolio company.

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

As stated in Item 5 above, the Adviser's affiliates (the general partners of the Funds) receive performance-based fees or allocations from the Clients. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest, the Adviser has implemented policies and procedures to ensure that all Clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

Item 7 - Types of Clients

The Adviser provides investment advisory services to limited partnerships which operate as private funds.

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

- A. The Adviser invests in portfolio companies based upon its assessment of their profitability and cash flow generation, industry dynamics, quality of management, and management's willingness to partner with us by making an equity investment in their companies.

The Adviser seeks investments in select, lower middle-market operating companies with enterprise values between \$8 and \$30 million, established annual revenues between \$10 and \$50 million, consistent operating earnings, and defensible market positions. Our investment proceeds typically are used to facilitate management buyouts, support business recapitalizations, and execute growth plans (including add-on acquisitions). We do not limit Client's investments by industry, but we do plan to focus on the industries of niche manufacturing, value added distribution, consumer products, and business services.

Investments generally take the form of control or significant ownership positions in the portfolio companies. We believe each investment requires a flexible and customized approach for the capital needs of the business and its owners. As a result, we work closely with companies, management and sellers to customize the capital structure of an investment.

We focus on improving and growing our portfolio companies primarily by or through:

- Developing and implementing strategic plans;
- Strengthening and enhancing management teams;
- Expanding existing operations and business lines;
- Acquiring add-on companies and business lines;
- Improving operations;
- Improving financial oversight.

We take an active role with our portfolio companies and view ourselves as "partners" with company management.

No more than 20% of the total capital commitments to the Fund will be invested in any single portfolio company.

Investment Criteria

Although we evaluate each investment opportunity on its own merits, we use the following criteria to screen, evaluate and choose investment opportunities to consider:

Target Industries:

Niche Manufacturing
Value-Added Distribution
Business Services
Consumer Products
Healthcare

Business Characteristics:

Established products and services
Defensible market position and competitive advantage
High quality operating earnings with modest capital expenditure requirements
Low risk of technological obsolescence

Sufficient asset and cash flows to support post-closing capital structure

Financial Metrics:

Annual revenues of \$10 to \$50 million; and
Annual EBITDA greater than \$2 million.

Management:

High quality, cohesive management team (or ability to build or recruit such a team); and
Meaningful equity investment by management team post-closing.

Definable Strategy:

Value creation strategy through growth or operations;
Viable and identifiable exit strategies.

- B. The investments of our Clients and the investment strategies employed by the Adviser involve a substantial degree of risk. The Funds may lose all or a substantial portion of their investments, and investors in the Funds must be prepared to bear the risk of loss of their investments therein.

Illiquidity of Investments

Fund investments are in entities that do not have readily available markets.

Leveraged Investments

Fund investments will involve different degrees of leverage. As a result, general economic conditions, operating problems and/or other general conditions may have a pronounced effect on the profitability or survival of the fund's portfolio companies.

Reliance on Management

The success of the Funds will depend on the ability of the Adviser to identify investments, improve operating performance and dispose of the investments. The loss of the services of one or more of the professional staff of the Adviser could have an adverse impact on the Funds' ability to realize their investment objectives.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client or investor's evaluation of the adviser or the integrity of adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's advisory services or the integrity of management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. The Adviser has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to its Clients.
- D. The Adviser does not recommend or select other investment advisers for its Clients.

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

- A. The Adviser has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments; requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

As part of its Code, the Adviser has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non- public information, and, therefore, may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

- B. Neither the Adviser nor any of its related persons recommend to Clients investments in which the Adviser or any related persons have a material financial interest.
- C. Neither the Adviser nor any of its related persons invest in the same or related securities that either the Adviser or its related persons recommend to Clients.
- D. See Item 13.C. below.

Item 12 - Brokerage Practices

- A. The Adviser's investment strategy involves making investments for Clients to invest in private equity investments. As a result, the Adviser does not select or recommend broker-dealers for the purchase and sales of securities. Furthermore, the Adviser does not maintain any trading accounts and does not use "soft" dollars received from broker-dealers from the purchase and sales of securities for its Clients.
- B. Not Applicable.

Item 13 - Review of Accounts

- A. The Adviser maintains comprehensive review procedures for the ongoing monitoring of the portfolio investments of its Clients. In connection therewith, the Adviser conducts periodic reviews of all portfolio company investments held in each Client portfolio. All firm investment and operational staff participate in the ongoing monitoring of Client portfolios, although responsibilities vary by individual.
- B. See Item 13.A. above.
- C. The Adviser provides the following written periodic reports to all of its Clients:

Quarterly Reports. Each limited partner receives quarterly reports with unaudited financial statements and summarizing information and developments concerning the Partnership and its investments in the portfolio companies. Additionally, every quarter each limited partner is provided an individual statement showing their capital account balance before and after unrealized gain/losses. These reports are provided within 45 days of the end of each fiscal quarter.

Annual Reports; Tax Information. After the end of each fiscal year, there is an independent audit of the Client's financial statements for such year and a copy of such audited financial statements, which are prepared in accordance with United States generally accepted accounting principles, is delivered to each Limited Partner.

For each tax year, the appropriate United States state and federal income tax returns and other appropriate tax returns and information of the Partnership, is furnished each limited partner. These reports are provided within 90 days of the end of each tax year.

Item 14 - Client Referrals and Other Compensation

- A. The Adviser does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to its Clients.
- B. The Adviser does not compensate any third party for providing Client referrals.

Item 15 - Custody

While it is the Adviser's practice not to accept or maintain physical possession of any client assets, the Adviser is deemed to have custody of the Funds' assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because the Adviser has the authority to deduct fees from clients' accounts and its affiliates act as general partners of the Funds.

In order to comply with Rule 206(4)-2, Adviser utilizes the services of a bank or qualified custodian (as defined under Rule 206(4)-2) to hold all of clients' assets. In accordance with Rule 206(4)-2, Adviser also (1) engages an outside auditor to audit our clients at the end of each fiscal year and (2) distributes the results of the audit in audited financial statements that are prepared in accordance with United States generally accepted accounting principles to all investors in our clients within 120 days after the end of the fiscal year.

Item 16 - Investment Discretion

The Adviser contractually assumes discretionary authority with each Client account under an investment management agreement with the Client. The Adviser's authority to manage Client accounts is in all cases subject to the specific objectives, guidelines, and limitations set forth in the applicable investment management agreement.

Item 17 - Voting Client Securities

The Adviser's investment strategy involves private equity investments. As a result, the Adviser does not generally hold Clients investments in public equity securities and therefore does not generally receive proxies on behalf of its Clients.

Item 18 - Financial Information

- A. The Adviser does not require or solicit prepayment of any fees greater than 6 months in advance.
- B. The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.