

**Item 1: Cover Sheet**

**INFORMATIONAL BROCHURE**

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**This brochure provides information about the qualifications and business practices of Tower Three Partners LLC. If you have any questions about the contents of this brochure, please contact us at (203) 485-5880 or via email at [cjacobs@tower3partners.com](mailto:cjacobs@tower3partners.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 Tower Three Partners LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2: Statement of Material Changes**

Tower Three Partners LLC is registering as an investment adviser. This is its first ADV Part 2.

### Item 3: Table of Contents

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INFORMATIONAL BROCHURE  
TOWER THREE PARTNERS LLC

**1. Advisory Business**

Tower Three Partners LLC (“Tower Three”) has been in business since November 2, 2007. The employees of Tower Three have in excess of 30 years collective experience in the industry.

Tower Three is the general partner of Tower Three Partners Fund I LP (the “Fund”), a private equity fund offered to qualified investors. Investors and potential investors in the Fund should consult the Fund’s offering documents, including its Limited Partnership Agreement and Private Placement Memorandum, for a complete discussion of the Fund and its risk factors.

The Fund pursues control investments in underperforming and distressed middle market businesses. Tower Three defines a typical “middle market” company as one with revenues between \$50 Million and \$500 Million.

*For additional discussion of the Fund, and its investment objectives and risks, please see response to Item 8.*

**2. Fees and Compensation**

**A. Fees Charged**

Investors in the Fund will be charged a management fee, and if applicable under the terms of the Fund’s Private Placement Memorandum, a performance based fee known as a “carry”.

Management Fee

The Fund will pay an annual management fee (the “Management Fee”) to Tower Three payable semi-annually in advance equal to 2% per annum, based on the total amount of committed capital in the Fund. After June 30, 2014, the Management Fee will only be payable with respect to the portion of investor capital that is invested but not yet subject to disposition.

Performance Based

The Fund (and therefore each investor in the Fund) will generally pay a 20% performance-based fee to Tower Three. However, the performance fee will not be paid until the investors achieve a base rate of return of 8% on their invested capital to date. In addition the performance fee is also subject to a “clawback” which means that once the Fund has wound up its investments, if Tower Three collects more performance-based fee than it should have been entitled, Tower Three must restore the overage to the Fund.

**B. Fee Payment**

Fees are paid semi-annually, in advance, and are directly debited from the Fund. Investors in the Fund will acknowledge this arrangement when they execute subscription documents for the Fund.

#### C. Other Fees

The Fund will bear all legal, organizational and offering expenses, including the out-of-pocket expenses of Tower Three and its agents, actually incurred in the formation of the Fund. The Fund will also pay all costs and expenses relating to its operations, including, but not limited to: professional fees, fees related to investments, interest, taxes, and meetings with investors. Tower Three will be responsible for its own operations, including rent, salaries, furniture and fixtures and all other office equipment.

Tower Three will bear full economic responsibility for any fees payable to any placement agent. The Clients will not bear any such fees.

*Please refer to the private placement memorandum for additional discussion of fees paid by investors in the Fund.*

#### D. Pro-rata Fees

Due to the nature of the Fund, clients will be committed to investing a specified amount into the Fund at designated times. Clients will not generally be permitted to withdraw from the Fund or become an investor in the Fund after the Fund closes. Accordingly, there will be no need to calculate *pro-rata* fees.

#### E. Compensation for the Sale of Securities.

None of the employees of Tower Three is a registered representative of a broker-dealer. None of the employees of Tower Three will receive any compensation for executing trades on behalf of the Fund aside from Tower Three's receipt of fees described above.

### 3. **Performance Based Fees.**

*Please see response to Item 2.*

### 4. **Types of Clients.**

Tower Three's clients are all either high net worth individuals or prominent family offices.

### 5. **Methods of Analysis, Investment Strategies and Risk of Loss**

Tower Three has an Investment Committee, which is comprised of senior firm professionals.

Tower Three is an operationally focused private equity firm that pursues control investments in underperforming and distressed middle-market businesses in the U.S. Tower Three makes a concentrated number of control investments where it can provide active, operational oversight to

each business. The Fund has made five investments since the beginning of the Fund, ranging in size from \$750,000 to \$67.5 Million. Two of these investments have been sold, leaving three still invested as of the date of this Part 2. These investments were all in equity or debt securities, which are the normal security types utilized for an investment.

### **Proactive Deal Sourcing:**

Tower Three will focus their efforts on proactively sourcing potential transactions through a combination of proprietary analysis and an extensive network of deep relationships. In order to systematically identify targets, Tower Three has established a screening process to enable Tower Three to continuously monitor trends and pricing in the loan, debt and equity markets which is complemented by analysis of broader trends in industries that appear ripe for reorganization.

Tower Three conducts meetings on at least a weekly basis to discuss potential investment opportunities. Tower Three reviews each potential transaction with the entire team to assess interest, raise issues and identify areas for further investigation.

### **Thorough Due Diligence:**

Given the nature of the transactions pursued by the Fund, Tower Three spends a significant amount of time and resources undertaking thorough due diligence on each investment opportunity. Tower Three utilizes a rigorous underwriting process to analyze, structure, document and approve potential transactions. Tower Three focuses on quickly identifying any material issues to avoid spending time and resources on unlikely transactions.

Once a deal team has been established, Tower Three's professionals assess material operational and financial elements of a business, together with the assistance of outside advisors and consultants, as appropriate, to facilitate the process.

Tower Three is updated on the progress of each potential transaction by the deal team throughout due diligence in regularly scheduled meetings, together with the appropriate level of supporting data and documentation. All investment professionals can provide input, express concerns and question assumptions throughout the process.

### **RISK FACTORS**

*Please see the Fund's private placement memorandum with regard to risks associated with investing with the Fund.*

All investments risk the loss of capital. No guarantee or representation is made that the Fund will achieve its investment objective or that a client will receive a return of its capital. In addition, there will be occasions when Tower Three and its affiliates may encounter potential conflicts of interest in connection with the Fund. In evaluating whether to make an investment in the Fund, potential investors should consider all information contained in the private placement memorandum. The following discussion is not a complete list of all potential risks, because some risks are unknown.

*Nature of Investments.* While investments in the types of companies Tower Three recommends for the portfolio offer the opportunity for gains, they also involve a high degree of risk. The nature of the types of companies Tower Three seeks for the portfolio is one that is distressed or in need of some sort of restructuring. These same companies may be more sensitive than others to business developments or other economic factors for the same reasons the company is attractive as an investment. If the company is adversely affected, the Fund may lose money.

*General Economic Conditions.* General economic conditions may affect the Fund's activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Fund or considered for prospective investment.

*Illiquid and Long-Term Investments.* Most investments will not be sold or realized for a number of years. It is unlikely that there will be a public market for the securities held by the Fund at the time of their acquisition. The Fund generally will not be able to sell its securities publicly. In addition, in some cases, the Fund may be prohibited or limited by contract from selling certain securities for a period of time, and as a result, may not be permitted to sell an investment at a time it might otherwise desire to do so.

*Portfolio Company Management Risks.* With respect to management at the investment level, many companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly affect the company's performance. If the company's performance is negatively affected, the Fund's performance will be as well. Tower Three expects to monitor company management, but Tower Three will not have day-to-day responsibility with respect to the business of the companies in which the Fund invests.

*Concentration of Investments.* The Fund will participate in a limited number of investments and, as a consequence, the aggregate return of the Fund may be affected by the performance of a small number of investments. This means that the Fund will not be diversified.

*Control Position.* The Fund will generally seek investment opportunities that allow the Fund to have significant influence on the management, operations and strategic direction of the companies in which it invests. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The exercise of control and/or significant influence over a company could expose the assets of the Fund to litigation.

*Non-U.S. Investments.* The Fund may invest globally. Foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Fund's foreign Investments may be denominated, and costs associated with conversion of investment principal and income from one currency into another, (ii) differences between the U.S. and foreign securities markets, including potential price

volatility in and relative illiquidity of some foreign securities markets, (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (iv) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital and the risks of political, economic or social instability, (v) obtaining foreign governmental approvals and complying with foreign laws and (vi) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. Anti-fraud and anti-insider trading legislation in these countries may be rudimentary. There may be prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a company's assets, or otherwise materially affect the value of the company without the consent of the company's shareholders. Anti-dilution protection also may be very limited. In these countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders may be limited. The legal systems in these countries may offer no effective means for the Fund to seek to enforce its rights or otherwise seek legal redress or to seek to enforce foreign legal judgments.

*Expedited Transactions.* Investment analyses and decisions may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available at the time an investment decision is made may be limited.

*Leverage.* The Fund may borrow for the purpose of short-term financing, to cover shortfalls of capital contributions arising from the default of Clients or for other purposes related to the Fund's business. Tax-exempt investors should note that the use of leverage by the Fund may create "unrelated business taxable income" and should refer to the private placement memorandum for the Fund as well as their own tax advisors.

### ***Conflicts of Interest***

*Performance Allocation.* The existence of Tower Three's performance-based fee may create an incentive for Tower Three to make more speculative investments on behalf of the Fund. Tower Three's capital commitment to the Fund described under should tend to reduce this incentive.

## **6. Disciplinary Information**

None to report.

## **7. Other Financial Industry Activities and Affiliations**

There are no contractual relationships between Tower Three and any other party within the financial industry.

## **8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

A copy of our Code of Ethics is available upon request.

On occasion, an employee of Tower Three may purchase for his or her own account securities which are included in the Fund portfolio or are being considered for the Fund portfolio. Our



Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid trading with inside information or trading in advance of the Fund, all employee trades must be pre-cleared through the Compliance Officer, who maintains a list of securities in which employee trades are restricted. Employee statements are reviewed to confirm compliance with the trading procedures.

**9. Brokerage Practices**

Tower Three's only clients are the Fund and the investors of the Fund. There are no day-to-day brokerage trades placed on behalf of clients.

**10. Review of Accounts**

The portfolio is reviewed by the Investment Committee at least quarterly..

**11. Client Referrals and Other Compensation**

Tower Three does not currently compensate any other person for referring clients to Tower Three. If this ever were to change, any client who was referred by a person receiving compensation from us would be made aware of the compensation, and any additional registration requirements would be addressed.

**12. Custody**

Tower Three has custody of client funds through its management of the Fund. The Fund is audited by Ernst & Young, LLP, a PCAOB registered firm.

**13. Investment Discretion**

Please see Item 8 for a discussion of investment discretion.

**14. Voting Client Securities**

Tower Three will have discretion to vote proxies related to any publicly traded portfolio company. Each proxy will be voted on a case-by-case basis.

**15. Financial Information**

Tower Three does not require the prepayment of fees more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

Tower Three has discretion over the Fund's investments. There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.