



## **ITEM 1 – COVER PAGE**

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**This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Linx Partners, LLC. If you have any questions about the contents of this Brochure, please contact us at (770) 818-0335. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

## **ITEM 2 – MATERIAL CHANGES**

The following material changes have occurred since the last brochure dated March 31, 2015.

During 2015, Linx Partners, LLC (“Linx”) created and began managing an additional pooled investment vehicle: Linx-CPT Co-Invest, LLC, a co-investment vehicle.

In addition, Linx determined that the creation of liquidating trusts was necessary for completion of the orderly liquidation and distribution of assets to the partners of Linx Partners, L.P. and Linx Partners (Q), L.P. On December 31, 2015, the net assets of each partnership were transferred to Linx I Liquidating Trust and Linx Q Liquidating Trust, respectively.

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## **ITEM 4 - ADVISORY BUSINESS**

Linx Partners, LLC (“Linx”) was formed as a Delaware limited liability company in 1999. Linx creates and manages pooled investment vehicles, including three private equity funds and seven co-investment funds. Linx’s private equity funds include Linx Partners II, L.P., Linx Partners II (A), L.P. and Linx Partners III, L.P. (collectively, the “Partnerships”). Its co-invests include Linx-ADS Co-Invest, LLC, Linx-Metaltech Co-Invest, LLC, Linx-Grammer Co-Invest, LLC, Linx-Gullett Co-Invest, LLC, Linx-RE Co-Invest, LLC, Linx-Transpro Co-Invest, LLC and Linx-CPT Co-Invest, LLC (collectively, the “Co-Invests”). See Item 2 – Material Changes. The Partnerships and Co-Invests will henceforth be collectively referred to as the “Funds.” The members of Linx include Barbara M. Henagan and Peter J. Hicks (collectively, the “Members”). Ownership is divided equally between the two Members.

Linx Partners II, L.P. and Linx Partners II (A), L.P. (collectively “Linx Fund II”) are parallel investment entities which invest together proportionately in all portfolio investments and dispose of investments at the same time and on the same terms and conditions subject to applicable legal, tax or regulatory considerations. They generally share proportionately in expenses.

Linx Partners II, LLC was formed as a Delaware limited liability company in 2005. Its members include Barbara M. Henagan, Peter J. Hicks and Edward A. Leinss, and ownership is divided equally between the three members. Linx Partners II, LLC is the general partner or manager of some of the Funds.

Linx Partners III, LLC was formed as a Delaware limited liability company in 2013. Its members include Barbara M. Henagan, Peter J. Hicks, Giny E. Mullins and Mark R. Niznik. Ms. Henagan and Mr. Hicks each have a 41.7% interest, and Ms. Mullins and Mr. Niznik each have a 8.3% interest. Linx Partners III, LLC is the general partner of Linx Partners III, L.P. (“Linx Fund III”).

### **Types of Advisory Services**

Linx provides investment management and advisory services to the Funds, which may include formation of the Funds, due diligence of potential investments, portfolio management and sales of portfolio companies, among other activities. Investment objectives and strategies of the Funds are typically set forth in documents, including but not limited to, the private placement memorandum and partnership agreements or limited liability company operating agreements (collectively the “Fund Documents”).

The Partnerships are pooled investment vehicles formed for the purpose of achieving capital appreciation primarily through making investments in equity securities issued by lower middle-market companies in the United States as further described in the Partnerships’ Fund Documents. Linx Partners II, LLC or Linx Partners III, LLC act as general partner to the Partnerships and also provide a specified percentage of the capital for the formation of such Partnerships.

The Co-Invests are pooled investment vehicles formed solely for the purpose of investing in and managing securities of a specific company, and only that company, and are created from funds sourced from individual limited partners in the Partnerships, employees of Linx as well as Linx Partners II, L.P. and Linx Partners II (A), L.P or Linx Partners III, L.P.. Linx Fund II or Linx Fund III owns a majority interest in each Co-Invest. Linx or Linx Partners II, LLC act as manager to the Co-Invests.

Linx's advisory services consist of acting as general partner or manager to multiple pooled investment vehicles (the Funds) which have been created to invest in lower middle-market companies. Where Linx is the investment adviser to a Fund, the Fund—*not* any individual limited partner or member—is Linx's client. As such, the investment objectives and guidelines of each Partnership are not specifically tailored to the individual needs of the investors in the Partnership.

### **Wrap Fee Programs**

Linx does not participate in wrap fee programs.

### **Assets Under Management**

Linx Partners had \$213.4 million in discretionary assets and \$18.4 million in non-discretionary assets under management as of December 31, 2015. Please see Linx's Form ADV Part 1A – Item 5.F for more information.

## **ITEM 5 - FEES AND COMPENSATION**

### **Fee Schedules**

During the commitment period of each Partnership, the Partnership pays Linx an annual management fee (the "Management Fee") quarterly in advance equal to 2% of the limited partners' committed capital in the Partnership; thereafter, Linx receives an annual Management Fee paid quarterly in advance equal to 2% of the Partnership's total cost basis of assets remaining in the Partnership. The Management Fee is typically offset by 50% to 80% of any fees received by Linx as described in Item 5, Other Fees and Expenses. Co-Invests do not pay Management Fees or any other fees to Linx or affiliates. Fees for each Fund are described in each Fund's respective Fund Documents.

Linx reserves the right to waive all or a portion of its Management Fee as defined in the Fund Documents.

The General Partners (Linx Partners II, LLC or Linx Partners III, LLC) of the Partnerships have the right to receive a share of the capital appreciation of the assets of the pooled investment vehicle, referred to as "Carried Interest" based on reaching certain hurdles. The fee is calculated upon a liquidity event for each investment held by the Partnership (as described in the Fund Documents). See Item 6.

The fees are not negotiable and are subject to the terms in the Fund Documents.

### **Deduction of Fees**

Linx deducts fees from the Partnerships' assets on a quarterly basis.

### **Other Fees and Expenses**

Linx may charge portfolio companies management or other fees. In addition, Linx may receive break-up or similar fees or awards, if any, in connection with transactions not completed. 50% of break-up, deal, management or similar fees paid to Linx by Linx Fund II portfolio companies are first used to offset or reimburse Partnership expenses and thereafter to reduce future Management Fees payable by the Partnership. 80% of such fees paid to Linx by Linx Fund III portfolio companies are used in the same manner.

The Partnerships bear legal and organizational expenses, including the legal, travel, printing, marketing, accounting, filing, capital, start-up and other organizational expenses of Linx and its agents incurred in the formation and capitalization of the Partnerships up to \$600,000.

The Partnerships also pay all other costs and expenses relating to the Partnerships' ongoing activities (to the extent not reimbursed by a portfolio company), including but not limited to the Management Fee; all legal, auditing, consulting, financing and accounting expenses; all costs for preparation of financial statements, tax returns, and K-1's; all expenses of the Advisory committees, if applicable, and annual meetings of the limited partners; all insurance and other expenses associated with the acquisition, holding and disposition of its investments; all third-party expenses in connection with transactions not consummated; and extraordinary expenses (such as litigation).

### **Prepaid Fees**

Management Fees are typically paid quarterly in advance. Management fees are generally not refundable absent certain circumstances as described in the Fund Documents.

### **Compensation for the Sale of Securities**

Neither Linx, Linx Partners II, LLC, Linx Partners III, LLC nor any of their owners, staff, or supervised persons accepts compensation, directly or indirectly, from the sale of securities or other investment products.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The General Partners (Linx Partners II, LLC or Linx Partners III, LLC) of the Partnerships have the right to receive a share of the capital appreciation of the assets of the pooled investment vehicle, referred to as “Carried Interest.” The fee is calculated upon a liquidity event from each investment held by the Partnership (or as described in the Fund Documents).

The distributions of proceeds from investments are made by each Partnership according to the Fund Documents which generally provide for distributions to limited partners equal to all capital contributions and a preferred return in proportion to their funded capital commitment. Thereafter, distributions are made 80%/20% or 50%/50%, or a combination thereof, to the General Partners and limited partners, respectively.

Because the percentage of profits allocated to the General Partners exceeds its capital contribution percentage, Linx may have an incentive to make investments that are riskier or more speculative than would be the case in the absence of such compensation arrangement. However, as described in the Fund Documents, upon the liquidation of the Partnerships, the General Partner may be required to restore funds to the extent that limited partners have not received distributions equal to their contributed capital plus the related preferred return. In no event shall the General Partner be obligated to restore more than the cumulative distributions received by the General Partner solely with respect to its Carried Interest (less income taxes thereon). In Linx Fund III, the General Partner receives Carried Interest only after distributions to limited partners equal capital contributions and a preferred return.

In addition to the performance-based fees described above, Linx receives a Management Fee based on assets as described in Item 5.

Unlike the Partnerships, the Co-Invests do not pay Management Fees or Carried Interest. The Partnerships own a majority interest in each Co-Invest which mitigates any potential conflicts of interest that may arise.

## **ITEM 7 - TYPES OF CLIENTS**

Linx’s clients are the Funds as described in Item 4 and consist of limited partnerships and limited liability companies.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Linx focuses its investments in the lower middle-market and targets companies with annual revenues between \$20 and \$125 million that meet certain business and valuation criteria. Many companies in this space lack sufficient management depth, operating financial systems or sales and marketing strategies to take their performance to the next level. Linx is committed to understanding the specific issues of such companies and addressing them

through the utilization of the expertise of the Linx team, management and Linx's external operational network of executives, consulting firms and specialized experts.

Before making an investment, Linx relies upon its own industry experience as well as its advisory board, Limited Partners, industry consultants and other executive contacts to gather key competitive insight into a company. This enables Linx to gain a thorough understanding of a company prior to ownership. Below is a list of the attributes that Linx looks for in a new company investment:

- Macroeconomic thesis and trend
- CEO/management team character
- Meaningful customer service component
- Motivated management team
- Sustainable competitive advantage
- Stable, diversified customer base
- Fairly priced transaction
- CEO/management team chemistry
- Strong and defensible barriers to entry
- Proprietary products and services
- Stability and predictability of cash flow
- Strong, executable growth opportunities
- New product or geographic opportunities

The evaluating process requires a thorough due diligence review of the target company and its industry. Linx has had considerable investing and advisory experience in a variety of business niches within the light industrial manufacturing, industrial services and specialty distribution sectors.

In the course of due diligence, Linx spends a great deal of time with key managers or family/entrepreneurs of the prospective portfolio company. During these sessions, Linx works closely with the owner/managers to obtain an in-depth understanding of the business including its history, cost structure, competitive challenges and financial capacity, as well as make a determination of the cultural fit with Linx. The goal of diligence is to validate the Fund's investment thesis, including financials of the business, identify areas of improvement and plan for the future growth of the business along with the owners/managers.

In examining potential investments, Linx completes extensive due diligence including the following disciplines:

- Historical & projection / Financial modeling
- Legal due diligence
- Environmental reports
- Insurance review
- Property appraisals
- Market studies (if applicable)



- Forensic accounting/Quality of earnings
- Background checks (company and managers)
- Management assessment
- Customer and supplier interviews

Linx has considerable experience in financing private investments, utilizing a variety of capital market sources including commercial banks, mezzanine lenders, bridge and seller financings, public debt instruments and co-investment equity sponsors. Linx strives to create prudent, flexible capital structures that can effectively support portfolio companies in both expansionary and recessionary markets. Linx executes structures starting with a conservative use of senior leverage and invests in the entire capital structure below the lender. In most cases, the respective Funds are the controlling shareholder of the portfolio company.

Despite the extensive experience of Linx, acquiring illiquid securities in private companies involves risk of loss that investors in the Funds should be prepared to bear.

### **Material Risks for Significant Investment Strategies**

The following are certain material risks relating to our significant investment strategies. This list is not exhaustive. For a detailed discussion of the risks applicable to a particular Fund, investors should refer to the respective Fund Documents.

#### Reliance on Financial Projections

The capital structure of portfolio companies will generally be established relying on financial projections based primarily on judgments made by management of such portfolio companies. Such projections are only estimates of future results based upon assumptions made when the projections are developed. Actual results may vary significantly from the projection.

#### Potential Contingent Liabilities

In connection with the disposition of an investment, the Fund may be required to make representations concerning the business, or may be responsible for the contents of disclosure documents under applicable securities laws. It may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. This may result in contingent liabilities, which the Co-Invest, Partnership or the limited partners might have to fund to the extent that they have received prior distributions from the Funds or have undrawn capital commitments.

#### Risks Arising from Managerial Roles

Linx professionals typically serve as portfolio company directors and may take an active role in the management of such portfolio company. This may expose the Funds to claims

by a portfolio company, its security holders and its creditors.

#### Protection of Intellectual Property

The success of portfolio companies depends heavily on their ability to establish and protect their proprietary rights through, among other things, patent prosecution. The patent prosecution process is complicated, time-consuming, expensive and uncertain. Accordingly, one or more portfolio companies may be unable to protect its technologies, which would adversely affect the portfolio company, which in turn could negatively impact performance of the Funds. Portfolio companies will not be able to guarantee: (i) their existing patents will not be challenged, or, if challenged, invalidated; (ii) their existing patents will provide sufficient protection against competitors; (iii) competitors will not independently develop similar products or designs around their patents; or (iv) they will be able to obtain future patents necessary to protect their business and/or fully execute their respective business plans. Portfolio companies may also rely on trade secret protection for certain confidential and proprietary information. Despite maintenance of policies designed to protect such trade secrets, a portfolio company may be unable to adequately protect its trade secrets, which could adversely affect such portfolio company, which in turn could negatively impact the performance of the Funds.

#### Focused Investment Strategy – Economic and Market Risks

The Partnerships participate in a limited number of investments and thus may not enjoy the reduced risks of a broadly diversified portfolio. The Co-Invests participate in only one investment. Accordingly, poor performance by a small number of larger investments could substantially affect the aggregate returns of the Funds. A specific investment focus is inherently more risky and could cause the investments to be more susceptible to particular economic, market, political, regulatory, technological or industry conditions or occurrences compared with the Partnerships, or a portfolio of funds, that is more diversified or that has a broader industry focus.

#### No Assurance of Investment Return

The Funds cannot provide assurances that it will be able to choose, make and realize investments in any particular company or portfolio of companies, or that if such investments are made, it will be able to generate returns, if any, for its investors commensurate with the risks of investing in the type of companies and transactions described herein. Investments in the Funds should only be considered by persons who can afford a loss of their entire investment. Past performance is not necessarily indicative of future results. There can be no assurance that projected or targeted returns for the Funds will be achieved.

#### Leveraged Capital Structures of Portfolio Companies

The leveraged capital structure of the Funds' portfolio companies may increase the exposure to adverse economic factors such as significantly rising interest rates, severe

downturns in the economy or deterioration in the condition of the portfolio company or its industry. In the event a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of the Funds' equity investment in such company could be significantly reduced or even eliminated.

#### Illiquid Private Investments

The investments made by the Funds in privately held companies are illiquid and difficult to value. In many cases, investments in privately held companies will be long-term in nature and may require many years from the date of initial investment before disposition. Sales of securities of private portfolio companies may not be possible and, if possible, may be made at substantial discounts from costs.

#### Need for Follow-On Investments

Following the Funds' initial investment, some portfolio companies may have the need for additional capital to support expansion or to achieve or maintain a competitive position, and there is no assurance that such capital will be available, particularly for private companies. There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient capital to make all or any of such investments. Any decision by the Funds not to make a follow-on investment or their inability to make such investment may have a substantial negative impact on a portfolio company in need of such investment or may result in a lost opportunity for the Funds to increase their participation in a successful operation. If the Funds do not participate in a follow-on investment opportunity and other investors provide the requested financing, the Funds' investment in the portfolio company may be substantially diluted.

### **ITEM 9 - DISCIPLINARY INFORMATION**

Neither Linx nor any management persons has ever been the subject of any disciplinary event or action.

### **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### **Broker-Dealer Registration**

Neither Linx nor any management person is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

#### **Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

Neither Linx nor any management person is registered or has 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.

## **Other Material Relationships**

Linx Partners II, LLC was formed as a Delaware limited liability company in 2005 and serves as the general partner or manager of some of the Funds. Some of its members are also members of Linx. The members of Linx II, LLC include Barbara M. Henagan, Peter J. Hicks and Edward A. Leinss, and ownership is divided equally between the three members.

Linx Partners III, LLC was formed as a Delaware limited liability company in 2013 and serves as the general partner of Linx Fund III. Its members include Barbara M. Henagan, Peter J. Hicks, Giny E. Mullins and Mark R. Niznik.

## **Receipt of Compensation from Investment Advisers**

Linx does not recommend or select other investment advisers for its clients or receive compensation, either directly or indirectly, from other advisers.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

Linx has adopted policies and procedures including a Code of Ethics as set forth in its Compliance Manual and has been designed to comply with the requirements of Advisers Act Rule 204A-1. The Code of Ethics addresses personal trade reporting, standards of conduct and limitations and restrictions on gifts and entertainment. All Linx employees must read and adhere to the Code of Ethics and other policies in the Compliance Manual. A copy of the Code of Ethics is available upon request to any current or prospective limited partner or member of the Funds.

### **Participation or Interest in Client Transactions and Personal Trading**

In certain instances, related persons, including limited partners of a Partnership, and employees of Linx may invest alongside a Partnership in the same securities through a Co-Invest vehicle. The timing and terms of these investments are identical and therefore present no conflict of interest to the Partnerships.

Instances may arise where the interests of Linx potentially or actually conflict with the interests of the Funds and the limited partners or members. For example, the existence of the Carried Interest may create an incentive for Linx to make more speculative investments on behalf of the Funds than it would otherwise make in the absence of such performance-based arrangement. In addition, Linx is permitted to devote time and attention to certain investment vehicles in the Funds and its portfolio companies as it chooses. Conflicts of interest may arise in allocating management time, services or functions between individual Funds.

The Commitment Periods of Linx Funds II and III did not coincide, therefore, investments could only be made by one of the Funds or a newly organized co-investment vehicle. Co-Invests are organized to invest in and manage the securities of a specific company (and affiliates).

Co-Invests are utilized as an investment vehicle as determined by the general partner based on the circumstances surrounding each particular investment. The general partner may, but is under no obligation to, provide co-investment opportunities to limited partners.

## **ITEM 12 - BROKERAGE PRACTICES**

As a private equity fund manager, Linx invests Fund assets primarily in private companies, and therefore, does not have regular interactions with brokers-dealers who execute trades on behalf of Linx's Funds. Linx does not receive client referrals from broker-dealers, nor does it receive any "soft dollar" benefits. Additionally, Linx does not have any directed brokerage practices.

### **Aggregation of Trades**

In general, when the Partnerships have investments in the same portfolio company, the purchase and sale of its securities may be aggregated.

## **ITEM 13 - REVIEW OF ACCOUNTS**

Linx performs quarterly valuations of the portfolio companies owned by the Funds and continually monitors these portfolio companies and their respective financial statements. Linx reviews all Funds as it deems appropriate, but not less than quarterly, for appropriateness of holdings and transactions in accordance with the Fund's stated objectives and guidelines. The reviews are conducted by the Chief Financial Officer and the Members of the General Partners.

### **Client Reports**

Each of the Funds furnishes audited financial statements on an annual basis to its limited partners or members. In addition, most of the Funds also provide written quarterly portfolio valuations and unaudited financial statements as required by the respective Fund documents.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

Not applicable.

## **ITEM 15 - CUSTODY**

Linx, Linx Partners II, LLC or Linx Partners III, LLC are deemed to have custody of Fund assets by virtue of its authority as general partner or manager to access those assets. Independent public accountants perform annual audits of the Funds, and the audited financial statements are distributed to the limited partners or members of the Funds within 90 days after the end of a fiscal calendar year. In addition, unaudited financial statements and a quarterly report with respect to the Fund's portfolio investments are distributed within 45 days after the end of the first three calendar quarters.

## **ITEM 16 - INVESTMENT DISCRETION**

Linx exercises investment discretion over the Funds to which it provides investment advisory services subject to the investment objectives and guidelines as set forth in the Fund Documents. However, it does not have investment discretion with respect to the Co-Invests to purchase securities other than those set forth in their operating agreements.

## **ITEM 17 - VOTING CLIENT SECURITIES**

The Members of Linx, along with certain other employees, will at times hold seats on the boards of portfolio companies. The respective board member will have the responsibility of voting on behalf and in the best interest of the respective Fund that owns the portfolio company.

### **Proxy Voting Policies**

The Funds do not typically own securities of public companies, and as result, Linx does not receive and vote proxies.

## **ITEM 18 - FINANCIAL INFORMATION**

Linx has no financial condition that impairs its ability to meet its contractual and fiduciary commitments to its clients. Linx has not been the subject of a bankruptcy proceeding.