

Jefferies Capital Partners LLC

FORM ADV PART 2A

The Brochure

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This brochure provides information about the qualifications and business practices of Jefferies Capital Partners LLC. If you have any questions about the contents of this brochure, please contact us at (212) 284 1700. 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. Jefferies Capital Partners LLC is registered as an investment adviser with the SEC. Registration does not imply that a registered adviser has achieved a certain level of skill, expertise, or training in providing advisory services to its clients.

Additional information about Jefferies Capital Partners LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This is an initial Form ADV Part 2A filing for Jefferies Capital Partners LLC, and, therefore, this Item 2 is not applicable.

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Item 4. Advisory Business

Jefferies Capital Partners LLC (referred to in this brochure as “JCP”) is an investment advisory firm primarily engaged in managing private equity fund clients.

JCP is a Delaware limited liability company formed on January 18, 2005. Brian P. Friedman and James L. Luikart are the managing members (“Managing Principals”) of JCP, and Jefferies Group, Inc. (“Jefferies”), a publicly held company, is the non-managing member. Jefferies holds a substantial minority interest in JCP.

FS Private Investments III LLC (“FSP”) is a Delaware limited liability company formed on March 1, 2000. Brian P. Friedman and James L. Luikart are the managing members of FSP. FSP is an investment adviser affiliate under common control with JCP.

JCP and FSP (together, “we” or the “Managers”), serve as the investment managers of a number of private equity fund clients (“JCP Funds”). The Managers’ principal office and place of business is in the United States. JCP and FSP intend to conduct their activities in accordance with the Investment Advisers Act of 1940, as amended (“Advisers Act”) and the rules thereunder. All employees of the Managers are subject to the supervision and control of JCP. The Managers operate under one set of Code of Ethics and have a single Chief Compliance Officer. FSP is relying on JCP’s registration under the Advisers Act and is not separately registering.

The JCP Funds employ substantially the same investment strategies and seek to achieve long-term capital appreciation, without regard to current income, through the purchase of equity and equity-related securities. Portfolio investments primarily consist of securities issued in management buy-outs, industry consolidations and recapitalizations of middle market companies. Portfolio investments are primarily made in the United States and may include publicly-traded securities acquired in the open market.

The JCP Funds to which we currently provide investment advisory services are listed below. The funds are closed end funds; normally, investors are not permitted to withdraw from a fund but are required to maintain their investments throughout the life of the fund, typically ten years. The JCP Funds are generally managed in a group (“JCP Fund Group”) according to the approximate time of formation and initial offering. Funds within each JCP Fund Group generally invest pro rata and pari passu with each other based on the relative capital commitments of the funds.

JCP Fund III

- ING Furman Selz Investors III L.P. (“Institutional Fund III”) is a Delaware limited partnership;
- ING Barings U.S. Leveraged Equity Plan LLC (“US Leveraged Fund III”) is a Delaware limited liability company;

- ING Barings Global Leveraged Plan Ltd. is a Bermuda corporation; ING Barings Global Leveraged Equity Plan LLC is a Delaware limited liability company; and ING Barings Global Leveraged Equity Plan Holdings LLC is a Delaware limited liability company (collectively “Global Leveraged Fund III”);

JCP Fund IV

- Jefferies Capital Partners IV L.P. (“Institutional Fund IV”) is a Delaware limited partnership;
- Jefferies Employee Partners IV LLC (“Leveraged Fund IV”) is a Delaware limited liability company;
- JCP Partners IV LLC (“Parallel Fund IV”) is a Delaware limited liability company;

JCP Fund V

- Jefferies Capital Partners V L.P. (“Institutional Fund V”) is a Delaware limited partnership;
- Jefferies SBI USA Fund L.P. (“SBI Institutional Fund V”) is a Delaware limited partnership;

US Leveraged Fund III, Global Leveraged Fund III and Leveraged Fund IV are also known as the “Leveraged Funds.” The principal investors in the Leveraged Funds are certain employees and former employees of ING, Jefferies and their affiliated entities.

Institutional Fund III, Institutional Fund IV, Institutional Fund V and SBI Institutional Fund V are also known as the “Institutional Funds.”

FSP serves as the Manager of JCP Fund III and JCP serves as the Manager of JCP Fund IV and JCP Fund V.

The JCP Funds offer securities to investors only through private placements of such securities, and JCP Fund III, Fund IV and Fund V are all closed to new investors. The detailed terms applicable to investors in the funds are described in each JCP Fund’s offering memorandum, organizational documents, and investor subscription documents (collectively “Fund Documents”).

The portfolio investments are made in accordance with the investment objectives, guidelines, and restrictions as set forth in the respective Fund Documents. In general, without the approval of the advisory committee of the respective fund, a JCP Fund is not authorized to make any direct investments in real estate properties or oil and gas operating properties or make any investment in another investment fund that provides for payment of a carried interest or management fee. An advisory committee was established for each of the JCP Fund Group. Each advisory committee is comprised of no more than five members appointed by the applicable Manager. Each advisory committee member is a representative of an unaffiliated investor in the applicable Institutional Fund. The investment strategy we employ on behalf of the funds is described in greater detail below in Item 8. In general, we manage investments at the JCP Fund Group or

fund level and do not tailor a fund's strategies to the needs of individual fund investors. However, in certain limited circumstances, we may agree that a particular fund investor will not participate in certain investments made by the fund.

In addition to the foregoing, we may form special purpose vehicles through which investors in certain JCP Funds may invest, to facilitate portfolio investments for tax, regulatory or financial reasons.

Investors in JCP Funds may directly invest in co-investment opportunities alongside the JCP Funds. We do not exercise discretionary authority with respect to an investor's decision to invest in co-investment opportunities and heretofore have elected not to charge a management fee or receive a carried interest with respect to such co-investments.

As of December 31, 2011, we had \$896,700,000 of regulatory assets under management on a discretionary basis and none on a non-discretionary basis.

Item 5. Fees and Compensation

Generally, each of the JCP Funds pays its Manager an asset management fee as follows: (1) the fee is typically calculated as 2% per annum of the aggregate capital commitments until the earlier to occur of (i) five years after the final closing date, and (ii) one year after the date on which 75% of the commitments have been invested or committed for investment; and (2) thereafter, until the last day of the fund's investment term, the fee is typically 1.75% per annum of the carrying value (the lower of cost or fair value) of the fund's portfolio investments. The management fee is reduced, but not below zero, by a portion (80% to 100%) of fee income we receive from portfolio companies. The fee income we receive from portfolio companies is described more fully below.

Investors in the Institutional Funds are obligated to pay management fees directly to the Managers (as opposed to paying indirectly via the JCP Fund). We are required to provide to the investors a management fee notice including information regarding the nature and amount of the fees billed. For all other JCP Funds, the funds themselves are obligated to pay management fees directly to the Managers, and the investors bear those fees indirectly through their capital contributed to the funds.

JCP Fund III no longer pays a management fee. For JCP Fund IV and JCP Fund V, management fees are determined and billed semi-annually, due February 1 (for the period January 1 to June 30) and August 1 (for the period July 1 to December 31) of each year. The specific payment terms and other conditions of the management fees paid are set forth in the relevant Fund Documents. Excess management fee prepaid will be returned to clients.

We receive fee income from portfolio companies whose securities are held by the JCP Funds. This fee income is consideration for certain services we provide to the portfolio companies, such as consulting, management and advisory services, for which we devote significant internal resources in an effort to improve the business and management of such companies. In addition, we may receive other associated fees such as directors' fees. A portion of this fee income, as described above, is applied to reduce management fees payable to us by the relevant JCP Funds.

To the extent the portion of fee income reducing management fees exceeds management fees billed, the excess is carried over to succeeding management fee billing periods.

In addition, entities affiliated with us serve as the general partners or managing members of the JCP Funds and are entitled to receive carried interest distributions from the respective JCP Funds. Carried interest distributions are payable and deducted from distributable proceeds of JCP Funds at the direction of the fund's general partner or managing member. The carried interest distribution is generally an amount equal to 20% of the profits from portfolio investments made by the JCP Fund in excess of invested capital and paid after the return of such capital and a preferred return to investors. For the Leveraged Funds, all proceeds from portfolio investments are first used to repay the amount of leverage outstanding, together with any accrued interest, before any distributable proceeds are allocated to investors. The specific payment terms and other conditions of the carried interest distribution are set forth in the relevant Fund Documents.

Generally, carried interest distributions from funds whose waterfall is calculated on a "deal-by-deal" basis are subject to clawback. Upon termination of the fund, the general partner or managing member will be required to restore an amount to the fund to the extent that it may have received cumulative distributions in excess of amounts otherwise distributable to it pursuant to the distribution calculation set forth above, applied on an aggregate basis covering all transactions of the fund, but no more than the cumulative distributions received by the general partner or managing member with respect to its 20% carried interest, less income taxes thereon.

The management fees and carried interest distributions described above are our typical fee rates. However, each fund has the right to enter into agreements with one or more of its investors providing for a waiver or modification of certain terms of the fund. Under certain circumstances we may agree to different fee terms from those described above. Such arrangements are documented in the Fund Documents or side letter agreements with particular investors in certain funds. We may waive all fees and carried interest allocation for investments made by our Managing Principals and employees and their family members.

The JCP Funds generally bear all expenses related to their operations, including, by way of example, fees, costs and expenses directly related to the purchase and sale of their investments, unconsummated transaction expenses, bank and brokerage expenses, taxes, professional fees of auditors, counsel, and consultants, the costs of preparation and distribution of reports and statements to investors and the expenses of annual meetings. Organizational expenses, subject to a cap as defined in the relevant Fund Documents, are also borne by the JCP Funds.

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

As described in Item 5 above, entities affiliated with us that serve as the general partners or managing members of the JCP Funds are entitled to receive carried interest distributions from the respective JCP Funds.

The JCP Funds employ substantially the same investment strategies as each other, and investments are allocated to fund groups primarily based on the then-current stage of each JCP Fund Group in its investment cycle and the relative amounts of available committed capital of each JCP Fund Group. Within a JCP Fund Group, investments are allocated on a pro rata basis

based on the relative capital commitments of the funds. Specific investment policies, procedures, restrictions and rules of allocation are set forth in the relevant Fund Documents.

The existence of the carried interest may create an incentive for us to make more speculative investments on behalf of the JCP Funds than we might otherwise make in the absence of such performance-based compensation. The carried interest may also incentivize us to dedicate increased resources to funds that have the opportunity to receive carried interest distributions based on the success of portfolio investments. The carried interest also creates a potential conflict of interest in valuing investments. For example, in certain funds where distributions to investors are calculated in a “deal-by-deal” waterfall, the general partner or managing member will not receive a carried interest until the investors receive distributions equal to their share of any write-downs that were not taken into account for prior distributions. This creates an incentive for us to avoid writing down the value of assets that are not readily marketable or difficult to value, because the general partner or managing member, as the case may be, will be in a position to receive a higher carried interest. Additionally, due to the method of calculation, the carried interest distributions may be affected by the timing of disposition of investments and other factors which are within the control of the Managers. Although the Fund Documents generally contain a “clawback” provision requiring the general partner or managing member of the fund to return excess distributions to investors in the event the general partner or managing member receives more than its carried interest percentage of fund profits on an aggregate basis over the life of the fund, the return of such distributions to investors would generally be delayed until the end of the fund’s term.

Item 7. Types of Clients

We generally provide investment advice to private equity funds formed as limited partnerships or limited liability companies. The investors in the funds we advise are primarily comprised of pension plans, insurance companies, funds of funds, high net worth individuals and family offices.

Conditions for investing in each of the JCP Funds, such as the minimum investment amount, are stated in each JCP Fund’s respective offering memorandum and subscription documents. The offering memoranda note that the general partner or managing member of each JCP Fund has discretion to reduce or waive the minimum investment amount. The minimum investment amount for interests in the Institutional Funds was \$10 million, and individual investors (including employees of affiliates) had minimum equity investment amount between \$50,000 to \$1 million based on respective Fund Documents.

Generally, each investor participating in the JCP Funds was required to meet certain suitability and net worth qualifications. For example, the investor was required to be (i) an “accredited investor” within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended, and/or (ii) a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. Going forward, we also intend to require each new investor in a fund be a “qualified client” within the meaning of Rule 205-3 of the Advisers Act, as amended, at the time of investment.

Item 8. Investment Strategies and Risk of Loss

The following is a summary of the investment strategies and methods of analysis we generally employ on behalf of the JCP Funds. Specific descriptions of such strategies and methods are included in each JCP Fund's Fund Documents. All investments in securities involve risk of loss that investors should be prepared to bear.

Investment Strategy and Methods of Analysis

The JCP Funds seek long-term capital appreciation primarily by making control equity and equity-related investments in middle market companies typically headquartered in the United States with annual revenues of \$500 million or less. The JCP Funds invest in management buyouts, industry consolidations and recapitalizations of the middle market companies. The funds seek to invest in companies with strong, proven management teams with excellent track records and with whom we believe we can work effectively to add value. The funds generally invest between \$10 to \$60 million per portfolio investment, and each fund invests in approximately 12 to 15 middle market companies within the focus industries where we have considerable knowledge and experience.

We are affiliated with Jefferies & Company, Inc., a subsidiary of Jefferies. Jefferies & Company, Inc. is a full service investment banking firm focused primarily on serving middle market and growth companies and their investors.

We perform significant research into each prospective investment and disposition. In order to determine a prospective portfolio company's potential for performance improvement, we typically evaluate the underlying attractiveness of the industry, the company's position within that industry, the potential for consolidation and the company's performance versus its peers. Our research generally includes, among other things, a review of the portfolio company's financial statements, and we may engage the services of consultants to supplement our research. We generally assign at least two senior investment principals to every investment opportunity that we actively pursue, and investment decisions are reached through discussions and consensus among our investment principals including the Managing Principals.

Focus Industries

We utilize our understanding of industry cycles, competition and business development to develop investment themes generally within the following focus industries:

- Energy
- Manufacturing and Distribution
- Transportation and Logistics
- Consumer
- Healthcare
- Media and Telecommunications

Origination

We generate investment leads from these primary sources:

- Jefferies & Company, Inc.
- Personal networks
- Management teams at current, former and prospective portfolio companies

An incentive program is in place whereby the general partners or managing members of the JCP Funds compensate directly Jefferies & Company, Inc. employees who source investment opportunities in which the JCP Funds invest, based on profits from the investment and the overall performance of the fund.

Value-Added Role During Ownership

We generally take an active role in the portfolio companies, particularly seeking investments where we believe we can add value by applying our resources in the form of strategic oversight and drive. We typically invest with a thesis that certain benchmarks, strategic initiatives and growth plans can be achieved to allow the portfolio companies to realize meaningful value. We seek to create value in portfolio companies by generating growth in operating earnings (EBITDA), rather than relying excessively on debt reduction or multiple expansions. We generally seek to exit from the investment when our goals are achieved.

Our key goals include:

- Implementing a buy-and-build strategy
- Formulating strategies to improve operating performance
- Strengthening management
- Overseeing financings and providing capital markets advice

Optimization of Exit Opportunities

We seek to develop transaction structures that align our interests with the interests of management of the portfolio companies and, through proactive exit planning, seek to ensure that portfolio companies can take advantage of opportunities for value realization on a timely basis. We generally commence our exit analysis prior to making an initial investment and seek to structure transactions that allow for opportunistic realizations. We consider the performance of our portfolio companies, as well as the state of the merger and acquisition environment and the capital markets, so that exits can be properly positioned, crafted and timed. We typically seek exits through a sale to a strategic buyer or a capital markets transaction.

Risks Associated with the Funds' Investment Strategy

The specific risks associated with each JCP Fund's investment strategy are described in each JCP Fund's offering memorandum. However, the following risks are generally applicable to the JCP Funds:

No Assurance of Investment Return — There can be no assurance that the funds will meet their investment objective or otherwise be able to successfully carry out their investment programs. There is no assurance that the funds will be able to invest their capital on attractive terms or generate returns for investors.

Although funds in the same JCP Fund Group invest in the same portfolio investments, the net performance of each fund may vary materially from that of others as a result of the differing expenses, tax considerations, the impact of leverage and other factors.

Business and Market Risks — Investments in portfolio companies may involve a high degree of business and financial risk, which could result in substantial loss to the JCP Funds. In particular, these risks could arise from the changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in fiscal policies or political conditions, including the risks of war and effects of terrorist attacks on operations. The possibility of partial or total loss of capital will exist.

Dependence on Jefferies — The success of the JCP Funds depends, in part, upon our relationship with Jefferies. In addition to his role with us, Brian P. Friedman serves as Chairman of the Executive Committee of Jefferies and a member of the Board of Directors of Jefferies. The loss of our relationship with Jefferies could have a significant adverse impact on our business and the business of JCP Funds.

Difficulty of Locating Suitable Investments — Although we have been successful in identifying suitable investments historically, certain JCP Funds may be unable to find a sufficient number of attractive opportunities to meet their investment objective. The availability of investment opportunities will be subject to market conditions as well as, in some cases, the prevailing political or regulatory climate.

Competition — The JCP Funds will be competing for investments against other groups, including institutional investors, investment managers, industrial groups and merchant banks owned by large and well-capitalized investors. It is possible that competition for appropriate investment opportunities may limit significantly the number of opportunities available to the JCP Funds and adversely affect the terms upon which investments can be made.

Non-Controlling Investments — The funds may hold a non-controlling interest in certain portfolio companies and, therefore, may have a limited ability to protect their positions in such portfolio companies. However, as a condition to a lead investment in a portfolio company, it is expected that we would generally seek appropriate rights to protect the JCP Funds' interests.

Lack of Liquidity of Portfolio Investments — The JCP Funds' portfolio investments will generally consist of investments in private companies. There may be no readily available market for the funds' investments, and most of the funds' investments will be difficult to value. Adverse market conditions may further limit or delay opportunities for liquidity.

Risks Arising from Provision of Managerial Assistance — Certain JCP Funds seek to structure their investments so that the fund will be a "venture capital operating company" within

the meaning of regulations promulgated under ERISA. This requires that the relevant JCP Funds obtain rights to participate substantially in and to influence substantially the conduct of the management of a majority (by value) of the funds' portfolio companies. JCP Funds will typically have the right to designate individuals to serve on the boards of directors of portfolio companies. The designation of directors and other measures contemplated could expose the assets of the JCP Funds to claims by a portfolio company, its security holders and its creditors. While we intend to manage the funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded. In addition, as a member of the board of directors of a portfolio company, our representative may become subject to fiduciary or other duties which may adversely affect the JCP Funds. For example, we may be unable to sell portfolio securities if our representative is in possession of material non-public information relating to the issuer of the portfolio securities. The funds also may be limited to the same "window periods" for sales of public securities of a portfolio company as are directors of the portfolio company if our representative is on the board of directors of the portfolio company.

Material Non-Public Information — By reason of Jefferies' investment banking and related activities, Jefferies may acquire confidential or material non-public information and therefore be restricted from initiating transactions in certain securities. If we have access to the confidential or material non-public information, the JCP Funds may or may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell a portfolio investment that they otherwise might have sold. On the other hand, under certain circumstances, we may be restricted from access to material non-public information in the possession of Jefferies which may be relevant to an investment decision to be made by us.

Contingent Liabilities on Disposition of Portfolio Investments — In connection with the disposition of an investment in a portfolio company, a JCP Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business, 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 with respect to certain liabilities or to the extent that any such representations are inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the fund investors to the extent that the investors have received prior distributions from the funds. We have the right to recall amounts previously distributed to the investors in order to fund any such claims.

Portfolio Leverage — Portfolio investments will likely include companies whose capital structures have significant leverage. Although we will seek to limit the use of leverage to a manner we believe prudent, the leveraged capital structure of such portfolio companies will increase the exposure of the portfolio investments to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of the portfolio company or its industry.

Investor Leverage — Generally, the Leveraged Funds borrow money in an amount equal to three times the aggregate capital contributions made by investors in the Leveraged Funds in order to make portfolio investments. A portion of the leverage is guaranteed by the investors in the Leveraged Funds. Although leverage will increase investment returns if a portfolio

investment purchased with borrowed funds earns a greater return than it pays for the use of such borrowed funds, using leverage will decrease investment returns if such portfolio investment fails to earn as much on such investment as it pays for the use of the borrowed funds. Using leverage, therefore, will magnify the volatility of the value of the Leveraged Fund's investment portfolio.

Bridge Financing — The JCP Funds may invest in bridge financings in connection with one or more of their portfolio investments. The JCP Funds will bear the risk of any changes in capital markets, which may adversely affect the ability of a portfolio company to refinance any bridge investments. If a portfolio company were unable to complete a refinancing, JCP Funds could have a long-term investment in a junior security or that junior security might be converted to equity.

Credit Market Illiquidity — Many JCP Funds' investments are anticipated to be structured as leveraged buyouts, with the portfolio companies incurring debt in connection with an equity investment by the JCP Funds. The credit markets could experience severe illiquidity which could continue for an extended period of time. To the extent that this illiquidity curtails the ability of the JCP Funds to leverage their investments, thereby requiring greater equity contributions from the funds, or increases the cost of such leverage, the returns of the funds will be negatively impacted.

Additional Capital — Portfolio companies can be expected to require additional financing to satisfy their working capital requirements or acquisition strategies. The amount of additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each round of financing is typically intended to provide a portfolio company with enough capital to reach the next major milestone. If the capital provided is not sufficient, the portfolio company may have to raise additional capital at a price unfavorable to the existing investors, including a JCP Fund. In addition, a JCP Fund may exercise warrants, options or convertible securities that were acquired in the initial investment in order to preserve its proportionate ownership when a subsequent financing is planned or to protect the JCP Fund's investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of JCP Funds or any portfolio company.

Foreign Investments — Subject to certain limitations, JCP Funds may make investments outside of the United States. Foreign investments involve certain risks not typically associated with investing in U.S. securities, including those relating to (i) fluctuations in currency exchange rates and costs associated with the conversion of investment principal and income from one currency to another, (ii) differences between U.S. and foreign securities markets, including price volatility and relative illiquidity of foreign securities, (iii) adverse political and economic risks, including nationalization, confiscation and exchange control regulations, (iv) the imposition of foreign taxes and (v) the absence of uniform accounting, auditing and financial disclosure requirements and less government supervision and regulation.

Investments in Public Companies — JCP Funds may invest in public companies, or private portfolio companies may become publicly held. Investments in public companies may subject

the JCP Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligation to disclose information regarding such companies, limitations on the ability of the investing JCP Funds to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, which may include our personnel, regulatory action by the SEC and increased costs associated with each of these risks.

Reliance on Portfolio Company Management — The day-to-day operations of a portfolio company will be the responsibility of the portfolio company's management team. Although we will be responsible for monitoring the performance of portfolio companies and generally will seek to invest in companies operated by capable management, there can be no assurance that an existing management team, or any successor team, will be able to successfully operate a portfolio company in accordance with our strategy. A portfolio company is likely to depend on the management talent and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the portfolio company's performance.

Lack of Diversification — The JCP Funds will make only a limited number of investments and, except as provided in the Fund Documents, will be under no obligation to diversify the investments, whether by reference to the amount invested or the industries or geographical areas in which portfolio companies operate. Unfavorable performance by a small number of portfolio companies could substantially adversely affect the aggregate returns realized.

Legal, Tax and other Regulatory Risks. — Legal, tax, and regulatory changes, as well as judicial decisions, both within and outside the United States, could occur during the term of a JCP Fund that may adversely affect the fund, its portfolio companies, its investors, and us. The regulatory environment for private investment funds continues to evolve, and changes in the regulation of private investment funds may adversely affect the value of the JCP Funds' investments. The financial services industry generally and the activities of private investment funds and their investment advisers, in particular, have been the subject of increasing legislative and regulatory scrutiny. Such scrutiny may increase the legal, compliance, administrative and other related burdens and costs borne by the JCP Funds and/or by us or our affiliated general partners or managing members of the JCP Funds. In addition, securities markets are subject to extensive statutes and regulations. Various U.S. federal and state regulators, including the SEC, the Commodity Futures Trading Commission, self-regulatory organizations and exchanges, are authorized to take extraordinary actions in the event of market emergencies. Alternative U.S. or non-U.S. rules or legislation regulating the JCP Funds or us and our affiliated general partners and managing members of the JCP Funds may be adopted, and the possible scope of any rules or legislation is unknown. Any such rules or regulations may require us to disclose to regulatory authorities information regarding the JCP Funds, including, without limitation, information related to side letter arrangements. JCP Funds, we and our affiliated general partners or managing members of the JCP Funds could in the future be subject to regulatory review or discipline. The effects of any regulatory changes or developments on the funds may affect the manner in which they are managed and may be substantial and adverse.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management.

Item 10. Other Financial Industry Activities and Affiliations

Material Financial Industry Affiliations of the Firm

Jefferies Group, Inc. and its subsidiaries and related conflicts of interest:

Jefferies is a non-managing member of JCP with a greater than 25% working capital commitment in JCP. Jefferies is a public company whose shares are listed on the New York Stock Exchange. Headquartered in New York with offices around the world, Jefferies provides clients with capital markets and financial advisory services, institutional brokerage, research and asset management services. Jefferies provides capital markets and financial advisory services to middle market and growth companies, our target market.

Jefferies and its subsidiaries may provide broker-dealer or other services and may receive broker-dealer fees and investment banking fees with respect to transactions on behalf of portfolio companies. Such fees and compensation will be consistent with industry practices and, in each case, will be approved by the portfolio company's board of directors which may include representatives of JCP. The JCP Funds will not receive any of the fees paid by the portfolio companies for such services. In the ordinary course of its business, Jefferies may engage in activities in which its interests may potentially conflict with those of the JCP Funds and their investors. Jefferies may represent potential purchasers, sellers and other involved parties with respect to businesses which may be suitable for investment by the JCP Funds. In such a case, the client may require Jefferies to act exclusively on its behalf and may preclude us from acquiring or investing in such business. Jefferies and its subsidiaries, subject to certain limitations, may also manage or invest in other pooled investment funds. Further, the JCP Funds may invest in companies that are clients of Jefferies and have pre-existing fee arrangements covering the transactions in which the JCP Funds will be involved.

As mentioned in Item 8, while Jefferies' staff is incentivized to show investment opportunities to us, neither Jefferies nor its staff will be under any obligation to do so.

Jefferies & Company, Inc., the principal operating subsidiary of Jefferies, may serve as a placement agent for the JCP Funds. Except as otherwise disclosed, no placement fees (other than the reimbursement of out-of-pocket expenses of the placement agent, which constitute organizational expense) are borne by the JCP Funds or investors in the JCP Funds.

We have operational and administrative support arrangements with Jefferies. We reimburse Jefferies for the reasonable cost of space, utilities, technologies, and other services provided, as well as any salary and benefits provided by Jefferies to our employees.

In addition to acting as our Managing Principal, Brian P. Friedman serves as Chairman of the Executive Committee of Jefferies and a member of the Board of Directors of Jefferies. Mr.

Friedman divides his time between JCP and Jefferies. Mr. Friedman, Mr. Luikart and certain of our other employees own shares of Jefferies (in the aggregate, less than a 3% interest in Jefferies) and therefore will indirectly benefit as shareholders of Jefferies from transactions relating to portfolio companies in which we and the JCP Funds do not directly participate.

Jefferies is an investor in various JCP Funds. In addition, Jefferies benefits from the management fee and carried interest in the JCP Funds via its interests in the Managers and in our affiliated general partners and managing members of the JCP Funds. Jefferies has no voting rights in the Managers or in our affiliated general partners or managing members of the JCP Funds.

Other JCP affiliates

We and our affiliates under common control serve as the Managers, general partners or managing members of various JCP Funds.

ING Furman Selz Investments III LLC, a Delaware limited liability company, serves as the general partner or managing member of JCP Fund III entities.

JCP IV LLC, a Delaware limited liability company, serves as the general partner or managing member of JCP Fund IV entities.

JCP V LLC, a Delaware limited liability company, serves as the general partner of Institutional Fund V. Jefferies-SBI Strategic Investments USA LLC, a Delaware limited liability company, serves as the general partner of SBI Institutional Fund V.

JCP serves as the managing member of JCP IV LLC, JCP V LLC, and Jefferies-SBI Strategic Investments USA LLC.

FS Private Investments LLC, an affiliate of JCP, served as the Manager of Furman Selz Investors II L.P. and affiliated funds which had liquidated all portfolio investments and made final distributions to investors in December 2010.

JCP is a managing member of JCP Fund V Bridge Partners LLC (“Bridge V”). Bridge V is a Delaware limited liability company that was formed for the purpose of acquiring and warehousing investments for the ultimate purchase by JCP Fund V entities upon those entities’ final closing. In December 2011, after JCP Fund V’s final closing, each JCP Fund V entity purchased its applicable portion of the warehoused investments from Bridge V at a cost equal to the aggregate investment acquisition costs incurred by Bridge V plus carrying costs at a rate per annum equal to Prime Rate plus 2% for the duration of the warehouse period. Bridge V receives no management fees or performance fees in connection with warehoused investments.

JCP is a limited partner in SBI Jefferies Asia Fund L.P., a Cayman Islands limited partnership. SBI-Jefferies Strategic Investments Asia Ltd., a Cayman Islands limited liability company, serves as the general partner of SBI Jefferies Asia Fund L.P. JCP owns non-participating shares of SBI-Jefferies Strategic Investments Asia Ltd.

Other Conflicts of Interest

As described in Item 8 of this brochure, each of the JCP Funds employs a substantially similar investment strategy. In addition to the JCP Funds, we may participate in other investment vehicles, and possibly have additional advisory clients. The existence of such present and future multiple investment vehicles may create conflicts of interest described below.

The existence of multiple funds employing similar investment strategies could create a conflict of interest with respect to the allocation of investment opportunities among the JCP Funds. Investment opportunities are allocated in accordance with Fund Documents by applying such considerations as we deem appropriate, including the then-current stage of the investment cycle of each JCP Fund Group, the relative size of each JCP Fund, the amount of available capital, the size of existing positions in the same or similar securities, concentration parameters, tax considerations and other factors. A conflict of interest may arise, for instance, when a successor fund is introduced during the investment period of a predecessor fund, or where an investment is to be made by a successor fund in a security that constitutes a follow-on investment for the predecessor fund. We may seek consent or approval of fund advisory committees in connection with potential conflicts of interest matters including the allocation of investments among funds.

We are responsible for a variety of important matters affecting the JCP Funds. Among other matters, we determine the value of the investments in portfolio companies held by the JCP Funds. Such valuation affects both reported fund performance as well as the calculation of both the carried interest allocations and the management fees payable by the funds. Although the Fund Documents prescribe the method of valuing different types of investments, which generally involve current market price determined in accordance with accounting principles generally accepted in the United States of America, the valuation of the portfolio companies requires us to make estimates and assumptions based on the best information available. Actual results could differ from such valuation estimates. Furthermore, in the event we are provided with, or otherwise come into possession of, information which leads us to determine that one or more valuations of account assets for a prior period are inaccurate, we may adjust or amend such prior valuations as we deem appropriate, and adjust or amend any reports or statements of the account (whether or not previously issued) with respect to such prior periods.

Our employees may, from time to time, serve as directors with respect to portfolio companies, the securities of which are purchased on behalf of the JCP Funds. In instances where JCP Funds are not the sole shareholders of the applicable portfolio company, in addition to fiduciary duties our employees owe to the JCP Funds, our employees also owe, as directors of portfolio companies, fiduciary duties to the shareholders of the portfolio companies. Such positions may place our employees in a position where they must make decisions that are either not in the best interests of the JCP Funds or not in the best interests of the shareholders of the portfolio companies. Should our employee make a decision that is not in the best interest of the shareholders of a portfolio company, such decision may subject us and the JCP Funds to claims to which they would not otherwise be subject as an investor in the portfolio company, including claims of breach of the duty of loyalty and other director-related claims.

By acquiring an interest in the JCP Funds, each investor will be deemed to have acknowledged the existence of any such actual and potential conflicts of interest (including those described

above under “Jefferies Group, Inc. and its subsidiaries and related conflicts of interest”), and to have waived any claim with respect to any liability arising from the existence of any such conflicts of interest.

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

Code of Ethics

As evidence of the commitment of the Managers to operating with integrity, we have adopted the Jefferies Capital Partners LLC Code of Ethics (the “JCP Code”). The purpose of the JCP Code is to identify the ethical and legal framework in which the Managers and our employees are required to operate, and to highlight some of the guiding principles and mechanisms for upholding our standard of business conduct.

Employees of the Managers may be employed with or undertake functions on behalf of Jefferies or its subsidiaries and as such are subject to the Code of Ethics of the Board of Directors of Jefferies Group, Inc. (“Jefferies Code”). The JCP Code may supplement (but not contradict) the Jefferies Code with policies and procedures applicable to JCP personnel. A complete copy of the JCP Code and Jefferies Code will be provided to clients and prospective clients upon request.

As a fiduciary, the Managers have an affirmative duty to act with loyalty, honesty, impartiality and in the best interests of our clients. Employees must not place their interests ahead of our clients’ interests under any circumstances. We make every effort to avoid conflicts of interest and fully disclose all material facts concerning any potential or actual conflicts of interest that may arise with respect to any client.

Among other things, the JCP Code also addresses certain aspects of personal trading. The JCP Code requires JCP employees to obtain pre-approval before acquiring any security in an initial public offering or in a private placement exempt from registration under the Securities Act pursuant to section 4(2) or pursuant to Rule 504, Rule 505, or Rule 506. The JCP Code also requires our employees to arrange for us to receive periodic investment holdings reports.

In addition, our employees may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. We have implemented policies and procedures designed to detect and prevent insider trading.

Interested Transactions

In general, subject to a few exceptions as set forth in the Fund Documents, without the consent of the applicable fund advisory committee, none of the Managers, our affiliates serving as the general partners or managing members of the JCP Funds and the Managing Principals may acquire, invest in, hold or dispose of securities of any portfolio investments of the JCP Funds. In addition, without the consent of the applicable advisory committee, the JCP Funds may not acquire securities of any company whose securities are held by the Managers, our affiliates

serving as the general partners or managing members of the JCP Funds, the Managing Principals or our employees.

Employees (other than the Managing Principals) of the Managers, Jefferies, and its affiliates may invest on behalf of themselves in securities of a portfolio company in which a JCP Fund is also investing, provided that such investment may be subject to certain disposition restrictions. We have established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner we deem fair and equitable, including the restrictions placed on personal trading as described below.

Personal Securities Transactions

In addition to the requirements of the JCP Code, all employees also must comply with the Jefferies Group, Inc. Employee Trading Policy. These policies and procedures cover all personal securities accounts. All personal securities transactions must be executed in accounts maintained at Jefferies & Company, Inc.'s Wealth Management Group or at approved brokers, and pre-approved where required. Our pre-approval procedure and the submission of personal trading information assist us towards our goal of ensuring that no personal trading of any employee will disadvantage any client account.

Item 12. Brokerage Practices

As a general matter, our business model does not currently involve investing in or trading securities or other assets on behalf of clients on an active basis. Rather, our business primarily involves managing private equity funds. The JCP Funds maintain brokerage accounts to hold securities of private and publicly-traded portfolio companies. From time to time, the JCP Funds may distribute and deliver securities of portfolio companies to investors. Occasionally, JCP Funds use broker-dealers to liquidate securities of portfolio companies.

Best net price, as a component of best execution, after giving effect to commissions and other transaction costs, would normally be an important factor in the determination of the broker-dealer to be used, but the selection could also take into account the quality of brokerage and related services, including such factors as execution capability, confidentiality, creditworthiness and financial stability, and clearance and settlement capability. In general, the JCP Funds' brokerage accounts are maintained with independent broker-dealers selected by JCP in its discretion. We may consistently utilize the services of the same broker, who is familiar with the funds' requirements and procedures, to execute all transactions. The use of one broker allows for uniformity, consistency and economy of scale. We are not contractually bound to utilize a particular broker and the broker's retention is subject to continued competitive pricing and satisfactory execution. We do not maintain any soft-dollar arrangements with any broker.

Where permitted by applicable law and regulation, we reserve the right to place orders for clients through our affiliated broker-dealers. Were the situation to arise and unless otherwise prohibited, the affiliated entity, in its function as broker-dealer, may charge a commission or a service fee. In such a situation, when acting as a broker for the purchase or sale of the JCP Funds' securities, an affiliated broker-dealer could also act as agent for a contra-party if one of its brokerage (but not managed) customers places an offsetting order, in compliance with the SEC rule on agency cross

transactions, Investment Advisers Act Rule 206(3)-2. Were we to place client trades through an affiliated broker-dealer, we would have a conflict of interest because an affiliate would be receiving compensation for each such trade. In general, neither we nor our affiliates will, acting as principal, buy securities from or sell securities to the JCP Funds. However, we and our affiliates reserve the right to engage in such principal transactions where conducted in accordance with Section 206(3) of the Advisers Act and other applicable legal, regulatory and contractual provisions.

Item 13. Review of Accounts

Our Managing Principals engage in ongoing monitoring of the investments of the JCP Funds. Our investment personnel generally meet on a monthly basis to collectively review and discuss portfolio companies' performance. Summary portfolio company information reports are distributed and reviewed at such meetings.

We provide JCP Funds' audited financial statements on an annual basis and, in addition, provide unaudited semi-annual or quarterly fund financial statements and individual investor account statements to investors in the funds. These statements list the account positions, activity in the account over the covered period, and other related information. We also deliver to JCP Fund investors quarterly letters which include a portfolio summary, updates on portfolio companies and general market outlook.

Item 14. Client Referrals and Other Compensation

We may agree to pay a placement agent a fee in connection with the sale of investor interests in various JCP Funds. The placement agent may be an affiliate of Jefferies. The fee is generally a percentage of the referred investor's subscription amount and will be paid by us from the management fees we earn. The JCP Funds incur no additional costs as a result of such arrangement.

Item 15. Custody

We are typically deemed to have custody of the assets of the JCP Funds since we and our affiliates serve as the Managers and general partners or managing members of the JCP Funds. Investors will not receive statements from the JCP Funds' custodians with regard to portfolio holdings and transactions. Instead, JCP Funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the funds' fiscal year ends.

Item 16. Investment Discretion

We have full discretionary authority with respect to investment decisions, and our advice with respect to the JCP Funds is provided in accordance with the investment objectives and guidelines as set forth in the funds' respective Fund Documents.

The Fund Documents generally place limitations on investments to be made by the JCP Funds, including: (i) the size of a portfolio investment (ii) the percentage of portfolio investments acquired that relate to companies organized and operated principally outside the U.S. and (iii) the percentage of portfolio investments that, at the time of acquisition, are publicly-traded.

Item 17. Voting Client Securities

We have the authority to vote proxies relating to securities owned by the JCP Funds we advise. We have adopted policies and procedures governing our voting of proxies that are designed to ensure that we vote proxies in a manner that serves the best interests of the JCP Funds, as we determine in our discretion, and taking into account relevant factors, including, but not limited to:

- the impact on the value of the securities;
- the anticipated costs and benefits associated with the proposal;
- the effect on liquidity; and
- customary industry and business practices.

The JCP Funds and fund investors do not have any authority to direct our vote in a particular solicitation.

If a proposal is addressed by the specific policies in our proxy voting policies we will vote in accordance with those policies, except that if we believe it is in the best interest of the investing accounts to depart from our standard specified policies.

If the proxy proposal is (1) not addressed by our specific policies or (2) requires a case-by-case determination by us, we may vote such proxy as we determine to be in the best interest of the investing accounts.

If we determine that we have, or may be perceived to have, a conflict of interest when voting a proxy, we will take such steps as we deem necessary in order to determine how to vote the proxy in the best interests of the client, including, but not limited to, consulting with outside counsel, a proxy consultant or the investment professionals responsible for the relevant portfolio company.

Investors may obtain a copy of our Proxy Voting Policies and Procedures, and information regarding how we voted particular proxies on behalf of the accounts, on request.

Item 18. Financial Information

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and we have not been the subject of a bankruptcy proceeding.

Item 19. Requirements for State Registered Advisers

This Item 19 is not applicable.