

LEP Management LLC

Form ADV Part 2A Brochure

March 26, 2019

Item 1 Cover Page

This Brochure provides information about the qualifications and business practices of LEP Management LLC (“LEP Management”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration with the SEC does not imply or guarantee that a registered adviser has achieved, or its employees possess a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

The information in this brochure has not been approved or verified by the SEC or by any state securities authority. If you have any questions about the contents of this brochure, please contact us at 299 S. Main Street, Suite 2300, Salt Lake City, UT 84111, or by calling (801) 538-5082.

The oral and written communications of an investment adviser provide you with information which may be used to determine whether to hire or retain an investment adviser. This brochure does not constitute an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

Additional information about LEP Management also is available on the SEC’s website at www.adviserinfo.sec.gov. Free and simple tools are also available to you to review LEP Management and its financial professionals at Investor.gov/CRS, which also provides free educational materials about broker-dealers, investment advisers, and investing.

LEP MANAGEMENT LLC
299 S. Main Street, Suite 2300, Salt Lake City, UT
84111 Phone: (801) 538-5082
www.leavittequity.com

Item 2 Material Changes

Since the last filing dated March 2019, there have been no material changes to this Brochure, only minor updates to disclosures and asset figures.

Pursuant to SEC Rules, we will ensure that our clients receive a summary of any material changes to this and subsequent Brochures promptly following such change. Our current Brochure may be requested at any time, free of charge by contacting our Chief Compliance Officer by calling (801) 538-5082, by email via craig.omer@leavittpartners.com, or in writing at LEP Management LLC, 299 S. Main Street, Suite 2300, Salt Lake City, UT 84111.

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Item 4 Advisory Business

- A.** LEP Management is a Utah limited liability company and has its principal place of business in Salt Lake City, Utah. LEP Management currently provides investment advisory services to Leavitt Equity Partners I, LP, and Leavitt Equity Partners II, LP, both Delaware limited partnerships, and private investment funds for sophisticated, qualified investors, including high net worth individuals, funds of funds, family offices, endowments and other institutions (the “Fund”) and intends to advise similar funds in the future (each a “Fund” and collectively, the “Funds”). The Funds are the clients of LEP Management (the “Clients”). LEP Management’s affiliates, Leavitt Equity Partners, LLC and Leavitt Equity Partners II, LLC, serve as general partners to the Funds (each a “General Partner”).

LEP Management was formed in August 2014, founded by its principal Michael O. Leavitt (the “Principal”). Mr. Leavitt holds his ownership of LEP Management through Leavitt Partners LLC, a Utah limited liability company. Please refer to Schedules A and B of LEP Management’s Form ADV for further information regarding its direct owners and indirect owners, respectively.

- B.** LEP Management’s philosophy consists of pursuing minority positions in lower middle-market buyout and growth equity investments in health care to generate long-term value for Clients by (i) leveraging LEP Management’s strong presence and differentiated access in the health care industry to source unique investment opportunities, (ii) maintaining a value-based orientation by adhering to a strict purchase price discipline, and (iii) driving operational transformation and enabling value enhancement through a distinctive, yet repeatable, process. LEP Management’s philosophy also complements the research and robust data collection that has been developed by Leavitt Partners, LLC (“Leavitt Partners”), an affiliate of LEP Management.
- C.** LEP Management will provide the specific advisory services with respect to each Client based on the particular investment objectives and strategies described in the applicable Client’s confidential offering memorandum, limited partnership agreement, and investment advisory agreement (as applicable) (referred to collectively as “Client Documents”). LEP Management’s services are provided to the Fund are pursuant to the terms of an investment management agreement between LEP Management, the Funds and its General Partner. LEP Management does not tailor its advisory services to individual investors in the Funds. The Fund does not offer interests to the public and Fund interests are only offered in private placements to qualified investors. The terms applicable to investors in the Fund are detailed in the Fund’s confidential offering documents, which are provided to prospective investors.

All discussion of the Clients in this Brochure, including but not limited to their investments, the strategies used in managing the Clients, and conflicts of interest faced by LEP Management in connection with the management of the Clients, are qualified in their entirety by reference to the Client Documents.

- D.** LEP Management does not participate in wrap fee programs.
- E.** As of December 31, 2019, LEP Management had regulatory assets under management of \$268,504,305 in discretionary assets and \$0 in non-discretionary assets.

Item 5 Fees and Compensation

LEP Management, or an affiliated General Partner, generally receives Management Fees and Carried Interest (each as defined below) from the Fund. The Fund, and/or its portfolio companies, also make other payments to LEP Management or its affiliates for services provided to the portfolio companies, which, in certain circumstances, may reduce the Management Fees payable to LEP Management. Additionally, consistent with the Client Documents, the Fund typically bears certain out-of-pocket expenses incurred by LEP Management in connection with the services provided to the Fund and/or the portfolio companies. Further details about these fees and expenses are set forth below.

- A. LEP Management and/or its affiliates generally receive a management fee based on percentage of Client assets under management and incentive income based on net capital appreciation. Management fees generally do not exceed 2% per year based on the total capital committed to the Fund for the investment period and 2% per year based upon unreturned capital contributions to the Fund thereafter (the “Management Fee”). Eighty percent (80%) of the aggregate amount of any fees (net of any related expenses) received by LEP Management, its Principal or the Fund’s General Partner from the portfolio companies or potential portfolio companies, including directors fees, management fees, monitoring fees, brokers’ and finders’ fees, transaction fees, investment banking fees and net break-up fees and litigation payments, if any, from broken deals, will be applied to reduce the amount of future Management Fees. LEP Management may waive Management Fees and receive a priority allocation of future profits from the Fund in the amount of the waived Management Fees.

Please see Item 6 below regarding Carried Interest that the Fund may pay.

LEP Management may enter into different fee arrangements on a Fund investor-by-investor, basis pursuant to side letters or otherwise.

- B. Management Fees and performance-based fees (*i.e.*, the “Carried Interest”) are generally deducted from Client assets. Management fees are generally deducted quarterly in advance and Carried Interest is calculated and withdrawn upon a realization event.
- C. Fund Expenses

Each Fund generally bears its own expenses, including startup, legal, accounting, brokerage, custody, administration and other expenses, which expenses are set forth in detail in the Client Documents.

Each Fund investor will be solely responsible for its own legal and tax counsel expenses and any out-of-pocket expenses incurred in connection with the organization of, its admission to, or the maintenance of its interest in, the Fund.

LEP Management will be responsible for all of its own normal and recurring routine operating expenses, such as compensation of its professional staff and the cost of office space, office equipment, communications, utilities and other such normal overhead expenses. Legal, accounting or other specialized consulting or professional services that a general partner would not normally be expected to render with its own professional staff shall not be considered normal operating expenses and will be a Fund expense.

The Fund will be responsible for all expenses of the Fund including, but not limited to, the following:

- (i) All expenses incurred in connection with Fund operations, including the purchase, holding, sale or proposed sale of any Fund investments (including legal and accounting fees) unless paid for by the company which is the subject of the investment and including Management Fees;
- (ii) Costs and fees relating to the preparation of financial and tax reports, portfolio valuations and tax returns of the Fund;
- (iii) The costs of prosecuting or defending any legal action for or against the Fund, LEP Management or its affiliates;
- (iv) All costs related to the Fund's indemnification of LEP Management or its affiliates and the members of the Advisory Board;
- (v) Interest on and fees and expenses arising out of all permitted borrowings made by the Fund;
- (vi) The costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Fund;
- (vii) All unreimbursed out-of-pocket costs relating to investment or divestment transactions that are not consummated, including legal, accounting and consulting fees (including from affiliates of LEP Management), and all extraordinary professional fees incurred in connection with the business or management of the Fund;
- (viii) All expenses of liquidating the Fund; and
- (ix) Any taxes, fees or other government charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund.

To the extent that any Client transactions are executed through a broker-dealer, the Client will incur brokerage and other transaction costs. Please refer to Item 12, Brokerage Practices, for more information.

- D.** Generally, Management Fees are paid quarterly in advance, with such fees pro-rated for partial quarterly periods.
- E.** Neither LEP Management nor its supervised persons accepts compensation for the sale of securities or other investment products, such as asset-based sales charges.

The fees described above reflect LEP Management's typical fee terms. However, LEP Management may enter into agreements with one or more Fund investors or Clients providing for the waiver or modification of the management fee or performance-based fee terms without notice to the other Fund investors or Clients.

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

As stated in Item 5 above, LEP Management receives performance-based fees (*i.e.*, Carried Interest) from the Funds. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee, although the LEP Management generally considers performance-based compensation to better align its interests with those of a Fund’s investors.

LEP Management currently advises two Funds but intends to advise additional Funds with similar investment strategies on a side-by side basis in the future. The Funds pay performance-based fees, including the payment of carried interest (“Carried Interest”). LEP Management or the General Partner, an affiliate of LEP Management receives performance-based fees from the Funds. The precise amount of, and the manner and calculation of, Carried Interest is detailed in the Fund’s Client Documents. Carried Interest paid by the Funds is indirectly borne by the Fund’s investors. Performance-based fees for future funds may differ from one Fund to another and may differ among investors in the same fund.

As a result, LEP Management, its principal(s), and/or affiliate(s) may have conflicts of interest in: (i) allocating their time and activity among Funds; (ii) allocating investments among Funds; and (iii) effecting transactions among Funds, including ones in which LEP Management, its principal(s), and/or affiliate(s) may have a greater financial interest. The payment of Carried Interest at varying rates for additional Funds in the future would create an incentive for LEP Management and/or its affiliate(s) to disproportionately allocate time, services, or functions to Funds paying Carried Interest at a higher rate, or to allocate investment opportunities to such Funds with respect to investments with limited availability such as small capitalization securities.

LEP Management’s policies and procedures address and mitigate these potential conflicts of interest to ensure that transactions and investment opportunities are allocated to the Fund, and any additional Funds in the future, on a fair and reasonable basis and in accordance with the Fund’s investment guidelines and governing documents. Generally, and except as may be otherwise set forth in the governing documents of the Funds, this conflict is currently mitigated by provisions in the Client Documents that address side-by-side management by imposing certain limitations on the ability of the LEP Management to establish new Funds.

Except for transactions permitted under the Client Documents, any transaction that results in a payment to, or the reimbursement of expenses or costs for LEP Management, its affiliates or any other related person by the Fund or any portfolio company must be approved in advance by the Advisory Board of the Fund. In addition, except for transactions permitted under the Client Documents, LEP Management will use commercially reasonable efforts to avoid transactions that create a conflict of interest between the Fund on the one hand and LEP Management, the General Partner, or another related person on the other hand; or, prior to entering into any such conflict of interest transaction, LEP Management will provide advance notice to and will obtain the approval of the Fund’s Advisory Board with respect to such conflict of interest transaction.

Item 7 Types of Clients

As described in Item 4, LEP Management provides investment advisory services to its Clients, which are private funds for sophisticated, qualified investors, including high net worth individuals, funds of funds, family offices, endowments and other institutions.

The Client Documents for each Client include certain stated minimum investment amounts, although LEP Management may accept investments in a lesser amount at its sole discretion.

LEP Management provides investment advice directly to the Fund and not individually to the investors of the Fund. All Fund investors must be “accredited investors” as defined in Regulation D of the Securities Act of 1933, as amended and meet other eligibility criteria established by the General Partner of each Fund.

From the time our SEC registration becomes effective, investors in the Fund that compensate us based on performance must be “qualified clients” as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended, or be grandfathered pursuant to SEC rulemaking.

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

A. Investment Strategies and Methods of Analysis

LEP Management focuses on pursuing minority positions in lower middle-market buyout and growth equity investments in operating companies in the health care markets, predominantly alongside other top-tier private equity funds or strategic investors as a value-add minority investor (“Direct Investments”). LEP Management has developed a disciplined approach, from sourcing through exit, seeking to originate value investments in health care with high upside return potential through operational transformation. The investment objective is to generate long-term value for Clients by: (i) leveraging LEP Management’s strong presence and differentiated access in the health care industry to source unique investment opportunities, (ii) maintaining a value-based orientation by adhering to a strict purchase price discipline, and (iii) driving operational transformation and enabling value enhancement through a distinctive, yet repeatable, process.

LEP Management generally seeks to manage investments in late stage venture, growth equity, lower middle-market, or middle market companies that LEP Management believe offer the potential for above-market returns to Clients. LEP Management anticipates that Direct Investments will generally be accompanied by other, unaffiliated, private equity funds that have demonstrated a high proficiency in health care investing (“Partner Funds”). LEP Management works closely with twenty to thirty Partner Funds, many of which LEP Management has already consummated investment deals with, and others that have worked on investment opportunities and research and are interested to find a transaction.

Investment Process

Direct Investment opportunities will be subject to rigorous due diligence as part of the investment process. The Fund's investment strategy encompasses the following elements:

- **Investment Size:** LEP Management intends to invest between \$1MM and \$10MM in each Direct Investment and is permitted to set aside capital to make follow-on investments, if required.
- **Investment Procedure:** LEP Management conducts thorough due diligence on each Direct Investment considered for inclusion in the Fund, using the LEP Management's own resources and experience while combining the resources and experience of Leavitt Partners and the Partner Funds. LEP Management expects to benefit from the additional experience and insight of the Partner Funds with which the Fund intends to co-invest. Furthermore, LEP Management also seeks the approval of the Investment Committee for every transaction. The Investment Committee is chaired by LEP Management's founder, former Utah Governor Michael O. Leavitt.
- **Selective Screening:** LEP Management adheres to a selective screening process. Generally, LEP Management looks to invest in health care companies (i) with experienced management teams with successful track records, (ii) with innovative technologies, (iii) in attractive health care markets, (iv) with profitable financials and sustainable business models, (v) with attractive growth prospects, opportunities and strategies, and (vi) with clearly defined exit strategies within realistic time frames (usually within three to six years of the time of investment by the Fund).
- **Deal Origination:** Leveraging the Leavitt Partners unique network, capabilities, research, and deal-sourcing capabilities, LEP Management is able to obtain access to high quality investment opportunities. LEP Management also brings several investment opportunities to Partner Funds for consideration. Additionally, LEP Management expects that its Partner Funds will include the Fund on many of the deals these Partner Funds consider for investment. It is also anticipated that, on occasion, investment banks may also contribute to deal flow.
- **Leverage of Internal Resources:** As part of the Fund's deal sourcing process, LEP Management has built an internal proprietary database to track all of the companies it has sourced, researched, and with which it has helped developed relationships. LEP Management anticipates that many of these companies may be prime targets for a minority investment with the Fund and Partner Funds. LEP Management regularly adds to this database as it continues to develop investment theses and relationships with companies that fit the criteria and vetting process. Additionally, LEP Management has a formalized contractual relationship with Leavitt Partners to provide consulting services and analytical support to the Fund on an ongoing basis. This provides LEP Management access to all of the Leavitt Partners intelligence, experts, personnel, and assets.

LEP Management does not expect that its Clients would be charged either management fees or carried interests by the Partner Funds with respect to these investment opportunities. It is also anticipated that due diligence expenses would be minimized as the Fund would be able to leverage the deal research already being generated by the Partner Fund with respect to a particular investment opportunity.

The Client Documents for each Client contain further information on their respective investment strategies, process and risk of loss.

B. Material Risks related to LEP Management's Strategies

LEP Management's investment strategies involve a high degree of business and financial risk, including the risk that the entire amount invested may be lost. Accordingly, LEP Management's investment strategies are only suitable for investors prepared to bear such risk. LEP Management may invest Client assets and engage in transactions using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of LEP Management will be realized. Potential risk factors related to investing in LEP Management's strategies are included below. There is no guarantee that LEP Management will be able to control these risks or that the risks will not aggregate in a manner adverse to LEP Management's Clients. The risk factors below are not intended to be exhaustive.

Business Risks

LEP Management's investment portfolio may consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance

The performance of the Principals' prior investments is not necessarily indicative of the LEP Management's future results. While LEP Management intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Projections

Projected operating results of a portfolio company in which the Fund invests normally will be based primarily on financial projections prepared by each portfolio company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Reliance on the General Partner and Portfolio Company Management

Control over the operation of the Fund will be vested with the General Partner, an affiliate of LEP Management, and the Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on the Fund's ability to realize its investment objectives. Fund investors generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of each will depend on the actions of the General Partner. In addition, certain changes in the Fund's General Partner or circumstances relating to the Fund's General Partner may have an adverse effect on the Fund or one or more of its portfolio companies including potential

acceleration of debt facilities. Although the General Partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

General Partner's Carried Interest

The fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner to cause the Fund to make riskier or more speculative investments than otherwise would be the case.

Due Diligence and Risk Identification

LEP Management's due diligence may not identify all risks and liabilities in respect of an investment. Prior to investing in an investment, LEP Management will perform due diligence on such proposed investment. In doing so, it relies in part on information from third parties as a part of this due diligence. To the extent that LEP Management or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, this may affect the profitability of the investment.

Competition and Portfolio Concentration Risks

The Fund will participate in a limited number of investments and expects to make several investments in one industry or one industry segment. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified. LEP Management may face increasing competition for access to suitable investments. LEP Management may face competition from other private equity funds and strategic investors that are substantially larger and have considerably greater financial, technical and marketing resources than LEP Management. These potential competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than LEP Management. There can be no assurance that the competitive pressures LEP Management faces will not erode LEP Management's ability to deploy capital and thus affect the financial condition and results of the Clients.

Lack of Sufficient Investment Opportunities

The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, Fund investors will be required to pay Management Fees to LEP Management during their respective the investment periods based on the aggregate amount of Fund investor capital commitments.

Market Conditions

There are factors which are outside LEP Management's control and which may affect the volatility of underlying asset values and the liquidity and the value of its portfolio of investments. Changes in economic conditions in the U.S. (for example, interest rates and rates of inflation, industry conditions, competition, political events, unemployment, consumer spending, consumer sentiment

and other factors) could substantially and adversely affect the prospects of LEP Management's Clients. Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates could have a negative impact on the performance and/or valuation of LEP Management's investments. The Fund's performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of market and other economic events may also affect the Fund's ability to raise funding to support its investment objective and the level of profitability achieved on realizations of investments.

Volatility of the Health Care Industry

LEP Management expects to focus its investment activities and investment portfolio primarily in the health care industry and related sectors. The health care climate has recently experienced much disruption and uncertainty. The Patient Protection and Affordable Care Act passed by Congress in 2010 serves as an example of the many industry dynamics that may affect several aspects of the industry. Legislation, regulation and executive decisions that impact the health care industry (and related sectors) on the federal, state and local level is common and is anticipated to continue through the life of the Fund. In many cases, impactful market and political changes can occur suddenly and without warning. The evolution and often sudden changes of the health care industry may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities, and increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Furthermore, such uncertainty may have an adverse effect upon portfolio companies in which the Fund makes investments.

Dynamic Investment Strategy

While LEP Management generally intends to seek attractive returns for the Fund primarily through making minority investments as described herein, LEP Management may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. LEP Management may pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.

Early-Stage and Start-Up Investments

Although not expected as part of the core strategy, the Fund may make investments primarily in start-up and early-stage companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Fund will be successful.

Illiquidity; Lack of Current Distributions

An investment in the Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including the Management Fee payable LEP Management) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded capital commitments.

Conflicting Fund Investor Interests

Fund investors may have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by LEP Management regarding an investment that may be more beneficial to one Fund investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, LEP Management will consider the investment and tax objectives of the Fund and its partners as a whole, not the investment, tax, or other objectives of any Fund investor individually.

Leveraged Investments

The Fund may make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage will generally magnify both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be tight at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund will invest generally will not be rated by a credit rating agency.

Public Company Holdings

The Fund's investment portfolio may contain securities issued by publicly held companies or securities of private companies that later go public. Such investments may subject the Fund 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 obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against

such companies' board members, including the Principal, and increased costs associated with each of the aforementioned risks.

Investments in Junior Securities

The securities in which the Fund will invest may be among the most junior in a portfolio company's capital structure and thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect the Fund's investment once made.

Non-U.S. Investments

The Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or the Partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the Partners. Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Need for Follow-On Investments

Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make follow-on investments or its inability to make such investment may have a substantial negative effect on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for the Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party invests in such portfolio company.

Hedging Arrangements

LEP Management may (but is not obligated to) endeavor to manage the Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

Significant Adverse Consequences for Default

The Fund's partnership agreement provides for significant adverse consequences in the event that a Fund investor defaults on its capital commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting Fund investor may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

Dilution

Fund investors admitted to the Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing Fund investors in such investments. Although any such new Fund investor will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

Enhanced Scrutiny and Potential Regulatory Changes

There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on LEP Management's activities, including the ability of the Fund to implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives. The combination of recent scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the ~2008 downturn in the U.S. and global financial markets, may complicate or prevent the Fund's efforts to consummate investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, LEP Management may invest in fewer transactions or incur greater expenses or delays in completing investments than it otherwise would have.

Additionally, Congress has recently considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of the Fund, could adversely affect the Principals, employees or other individuals associated with the Fund or the General Partner who were or may in the future be granted direct or indirect interests in the General Partner entity entitling such persons to benefit from carried interest. This may reduce such persons' after-tax returns from the Fund and the General Partner, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Fund.

Director Liability

The Fund will often seek to obtain the right to appoint a representative to the board of directors (or similar governing body) of the companies in which they invest. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from liability.

Relationship with Leavitt Partners, LLC

The Fund, LEP Management and the General Partner have a direct relationship with Leavitt Partners, LLC (“Leavitt Partners”). Leavitt Partners provides consulting intelligence and advice to a multitude of clients across the health care industry. There are numerous potential circumstances that may cause adverse, unfavorable and/or problematic effects to LEP Management, the General Partner, the Fund, the Fund’s portfolio companies and investors, that may be tied both directly or indirectly to Leavitt Partners, including, but not limited to: reputational, media and industry risk due to the operations, activities, quotes, beliefs, clients and personalities of Leavitt Partners; a decline in financial or operational performance and stature of Leavitt Partners; a dramatic change in business model and/or ownership; the loss of key personnel; a perceived conflict of interest; and the general relationship with the Fund, LEP Management and the General Partner.

Risks Related to Regulation

Laws and regulations affecting our business change from time to time, and we are currently operating in an environment of significant regulatory reform, both in the U.S. and globally. We cannot predict the effects, if any, of future legal and regulatory changes on our business or the services we provide.

Risks Related to Technology and Cyber Security

We and our clients depend heavily on telecommunication, information technology and other operational systems, whether ours or those of others (such as custodians, financial intermediaries, transfer agents and other parties to which we or they outsource the provision of services or business operations). These systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our or their control. Further, despite implementation of a variety of risk management and security measures, our information technology and other systems, and those of others, could be subject to physical or electronic break-ins, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of data assets. Technology failures or cyber security breaches, whether deliberate or unintentional, including those arising from use of third-party service providers or client usage of systems to access accounts, could have a material adverse effect on our business or our clients and could result in, among other things, financial loss, reputational damage, regulatory penalties or the inability to transact business.

Reliance on Key Management Personnel

The success of LEP investment strategies will depend, in substantial part, upon the skill and expertise of Mr. Leavitt. The death, disability or departure of Mr. Leavitt will adversely affect our business and performance.

Business Continuity Risk

LEP Management has a business continuity plan (“BCP”) that was designed to address interruptions in our normal business operations. While we believe our BCP is adequate to allow for the continued operations of our business, there is a risk that certain natural or unnatural events that have not been anticipated may impact our operations for a period of time, where LEP Management is unable to provide continuous investment advisory services. Such examples include but are not limited to terrorist attacks and global pandemics.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in LEP Management's strategies. Prospective clients should read this entire Form ADV and all accompanying materials provided by LEP Management and consult with their own advisors before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors. LEP Management will promptly amend this Brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.

Item 9 Disciplinary Information

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

Item 10 Other Financial Industry Activities and Affiliations

- A.** LEP Management is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of LEP Management are registered representatives of a broker-dealer.
- B.** Neither LEP Management nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of an LEP Management entity.
- C.** Material Relationships

Leavitt Partners

As described in Item 4, LEP Management is indirectly owned by its affiliate Leavitt Partners, LLC (“Leavitt Partners”). Leavitt Partners is substantially owned by Michael O. Leavitt, Manager of LEP Management.

Leavitt Partners, an affiliate of LEP Management, provides consulting intelligence and advice to a multitude of companies across the health care industry. Pursuant to a consulting agreement with LEP Management, Leavitt Partners will flag, identify and track the process of several health care trends as well as assist LEP Management by providing services including, but not limited to, research services, data analytics, due diligence, use of relevant personnel, industry networks, current clients, office management services, office space, office supplies and the use of its brand. LEP Management is solely responsible for fees associated with its consulting agreement with Leavitt Partners, although in some circumstances where a one-time project or event may be tied to a specific Fund activity, this may be considered an expense to be borne or reimbursed by the Fund. Leavitt Partners’ out of pocket expenses may also require reimbursement by LEP Management.

Fees payable to Leavitt Partners will be drawn from Management Fees and performance-based fees paid by the Fund to LEP Management. This creates a conflict of interest between LEP Management and the Fund and Fund investors because the amounts of these fees and reimbursements may be substantial and the Fund and Fund investors generally do not have an interest in these fees and reimbursements. Leavitt Partners generally determines the amount of its fees for services and reimbursements to approximate the cost of annual compensation paid by LEP Management or its affiliates to Leavitt Partners employees, including an estimate of LEP Management’s overhead and other fixed costs allocable to Leavitt Partners, and the amount of time the Leavitt Partners employee spent providing services.

LEP Management shares facilities and receives certain back office support from its affiliate, Leavitt Partners. LEP Management and its affiliates have implemented policies and procedures with respect to operating in the shared space, including protecting confidential information through physical and electronic safeguards and preventing the misuse of material nonpublic information. LEP Management’s executive officers and senior management are engaged in providing services to LEP Management. These activities may include serving on investment committees and providing research or opinions to affiliates of LEP Management.

LEP Management Sponsored Funds

LEP Management organizes and sponsors the Fund and intends to sponsor future Funds which, in each case, are private partnerships. These pooled investment vehicles managed by LEP Management are controlled by affiliated general partner entities. LEP Management is responsible for all decisions regarding portfolio transactions of the Fund and has full discretion over the management of the Fund's investment activities. Employees and persons acting on behalf of the General Partner are subject to the supervision and control of LEP Management. Thus, the General Partner, all of its employees and the persons acting on their behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the General Partner.

Partner Funds

LEP Management generally seeks to manage investments in late stage venture, growth equity, lower middle-market, or middle market companies that LEP Management believe offer the potential for above-market returns to the Fund. LEP Management anticipates that Direct Investments will generally be accompanied by other, unaffiliated, private equity funds that have demonstrated a high proficiency in health care investing. LEP Management works closely with twenty to thirty Partner Funds, many of which LEP Management has already consummated investment deals with, and others that have worked on investment opportunities and research and are interested to find a transaction.

- D.** LEP Management does not receive any compensation for the recommendation of other investment advisers to its Clients.

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

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

A copy of LEP Management’s Code of Ethics is available to clients and prospective clients upon written request to our Chief Compliance Officer at LEP Management LLC, 299 S. Main Street, Suite 2300, Salt Lake City, UT 84111.

- B.** LEP Management and its related persons do not participate in transactions in which the General Partner, LEP Management or any of their affiliates, including other Funds and Fund investors, have a direct or indirect interest. LEP Management, its affiliates and respective employees, or a related entity each may have an investment in the Fund. The Code is designed to ensure that the personal securities transactions, activities and interests of LEP Management’s employees will not interfere with making decisions in the best interest of Clients and implementing such decisions while, at the same time, allowing employees to invest for their own accounts.
- C.** LEP Management and its related persons do not invest in the same securities (or related securities, e.g., warrants options or futures) that it or a related person recommends to Clients.

Item 12 Brokerage Practices

A. Selecting or Recommending Broker-Dealers

Subject to the investment objectives, policies and restrictions of the Fund as set forth in the Client Documents, LEP Management has the authority and discretion to select a broker-dealer and negotiate commissions and other compensation to be paid in connection with these transactions.

Currently, transactions on behalf of the Fund do not typically require a broker-dealer and commissions are not ordinarily paid. However, the Fund may at certain times invest in public companies or private companies that go public and require a broker-dealer to trade in such securities.

In the event LEP Management must determine the broker-dealers through which to initiate securities transactions for the Fund, it is LEP Management's policy to obtain quality execution at the most favorable prices.

In determining best execution, an investment manager may take into account the full range and quality of a broker's services that benefit an account under management such as brokerage, research and other services. The factors to be considered in selecting and approving broker-dealers that may be used to execute trades for Fund accounts include, but are not limited to:

- Quality of execution – accurate and timely execution, clearance and error/dispute resolution
- Reputation, financial strength and stability
- Block trading and block positioning capabilities
- Willingness to execute difficult transactions
- Willingness and ability to commit capital
- Access to underwritten offerings and secondary markets
- Ongoing reliability
- Overall costs of a trade (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of the Firm's knowledge of negotiated commission rates currently available and other current transaction costs
- Nature of the security and the available market makers
- Desired timing of the transaction and size of trade
- Confidentiality of trading activity
- Market intelligence regarding trading activity

Accordingly, the transactions will not always be executed at the lowest available price or commission. On a quarterly basis, or more frequently as warranted, Compliance Committee will review the brokers utilized, and conduct a review of the brokerage program to ensure monitoring best execution and commissions are reasonable during such Compliance Committee meetings.

While LEP Management does not currently recommend broker-dealers in making investments, Partner Funds may use a broker-dealer to source investment opportunities that the Fund will invest in as a minority investor.

LEP Management does not utilize soft dollars or direct brokerage to a broker in return for the broker's referral of prospective clients.

B. Aggregation of Orders Not applicable.

Item 13 Review of Accounts

- A.** Taylor S. Leavitt, LEP Management’s Chief Executive Officer, is responsible for reviewing Client investment portfolios. Mr. Leavitt, with the assistance of the portfolio management and risk management teams, performs periodic daily, weekly or monthly reviews of Client positions, as they deem appropriate. Performance, certain investment positions, exposure levels, and investment opportunities are among some of the matters that may be reviewed.
- B.** See Item 13.A. above.
- C.** Annually, LEP Management assists the Fund in furnishing all investors with (i) audited written financial statements prepared in accordance with generally accepted accounting principles, accompanied by the report of its independent certified public accountants, (ii) unaudited financial information and updates on the Fund’s activities on a monthly or quarterly basis (as applicable and in accordance with the Client Documents) and (iii) tax information necessary for the completion of tax returns.

Item 14 Client Referrals and Other Compensation

- A.** LEP Management does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Clients.
- B.** LEP Management or its related persons do not directly or indirectly compensate any person who is not a supervised person of LEP Management for client referrals. However, LEP Management may, in the future, enter into arrangements with placement agents to solicit investors in the Fund, and such arrangements may provide for the compensation of such placement agents for their services at either our or the prospective investor's expense on a fully-disclosed basis.

Item 15 Custody

LEP Management and the General Partner are deemed under Rule 206(4)-2 of the Advisers Act to have custody of the assets of the Fund. The Fund is subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Fund investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Fund's fiscal year end. Fund investors are urged to carefully review these financial statements.

Item 16 Investment Discretion

LEP Management exercises discretion in managing the investments of each Client, based on the Client's particular investment objectives, policies and strategies disclosed in its Client Documents.

LEP Management contractually assumes discretionary authority over the assets of the Fund under an investment management agreement entered into among LEP Management, the Fund and the General Partner.

Item 17 Voting Client Securities

LEP Management intends to vote proxies or similar corporate actions in accordance with the best interest of the applicable Client(s), taking into account such factors as it deems relevant in its sole discretion. Upon receipt of a proxy request, LEP Management's operations department contacts the senior investment professional responsible for the issuer. The portfolio management team reviews the information, determines what is in the best interest of the Client(s) including whether it is in the best interests of the Client(s) to vote the proxy. LEP Management will generally vote in favor of routine corporate housekeeping proposals such as the election of directors and the selection of auditors, absent conflicts of interest (e.g., an auditor's provision of non-audit services). LEP Management will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, LEP Management may also consider, without limitation, the opinion of management, the effect on management, the effect on shareholder value and the issuer's business practices. LEP Management does not permit Clients to direct how it will vote on specific proxies.

LEP Management may determine to abstain from voting a proxy if it believes that such action is in the best interests of a particular account or client or deems that the issue being voted upon is not material for LEP Management and such account or client. In addition, LEP Management may refrain from voting a proxy under certain circumstances including, but not limited to, when (i) the economic effect on such client's interests or the value of the portfolio holding is indeterminable or insignificant; (ii) voting the proxy would unduly impair the investment management process; or (iii) the cost of voting the proxies outweighs the benefits or is otherwise impractical. LEP Management may also refrain from voting a proxy on behalf of a client's account due to (1) de minimis holdings; (2) de minimis impact on the portfolio; (3) items relating to non-U.S. issuers (such as those described below); (4) contractual arrangements with clients; and/or (5) such client's authorized delegates, or the failure of a proxy, to provide sufficient information to allow for timely and/or informed decision making.

LEP Management's proxy voting policy is designed to ensure that if a material conflict of interest is identified with connection with a particular proxy vote, that the vote is not improperly influenced by the conflict. Conflicts of interest may arise from time to time in relation to proxy voting requirements. LEP Management shall monitor all proxies for any potential conflicts. If a material conflict of interest arises, LEP Management will determine what is in the best interests of the Client(s) and may take appropriate steps to eliminate such conflict.

Clients that wish to obtain information about how LEP Management voted their securities or a copy of LEP Management's proxy voting policies and procedures may contact our Chief Compliance Officer at LEP Management LLC, 299 S. Main Street, Salt Lake City, UT 84111.

Item 18 Financial Information

- A.** LEP Management does not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B.** LEP Management does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- C.** LEP Management has not been the subject of a bankruptcy petition at any time during the past ten years.