

Leonard Green & Partner's March 2016 ADV discloses changes to private jet billing policy

Who pays the costs of LGP's trips to tropical islands, ski destinations, portfolio companies, unconsummated deals?

Leonard Green & Partner's March 2016 ADV brochure amended language about how it bills for private class travel.¹ Starting in January 2016, Leonard Green has faced questions about the use of private class travel.

Leonard Green's 2016 ADV states² (emphasis added on new language): "In certain instances, LGP is reimbursed by a Portfolio Company for expenses incurred by LGP in connection with its performance of the above-referenced services for such Portfolio Company. Such expenses include **travel (at rates not exceeding a first-class equivalent fare)** and meals, and such expense

reimbursements are not subject to the management fee offset mechanism described above."

The 2015 ADV brochure's language did not specify first-class rates, instead the same paragraph read: "Such expenses include business, first, or private class travel."³

The new phrase "**Travel (at rates not exceeding a first-class equivalent fare)**" is used four times in the 2016 ADV — appearing in sections discussing how Leonard Green charges Funds (and thus indirectly LPs) for travel in the formation of the Funds, in deal sourcing, for unconsummated transactions, and the aforementioned portfolio company example.

- ✈ Why did Leonard Green make these changes in the 2016 ADV Brochure?
- ✈ Do prior billing practices differ from the new language, and if so, how?

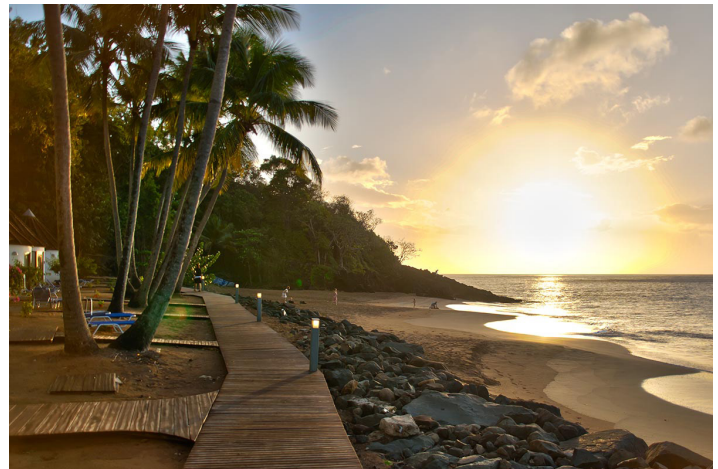


Photo: Guadeloupe Basse Terre Caribbean, Luca Moglia, CC

Facing questions about private jets

Leonard Green & Partners has faced questions from limited partners on its private jet use over recent months, including specific questions about which flights were billed to portfolio companies, funds like Green Equity Investors V or VI, or were related to unconsummated deals.

Leonard Green told *Private Funds Management*: “We, Leonard Green & Partners, pay virtually all (98 percent last year) of the costs associated with private air travel. Our investors were charged nothing”⁴

However, at least one limited partner reports they have been told LPs are charged a pro rata portion of the cost of travel related to unconsummated deals (at the rate of first class travel). LPs have also reported that portfolio companies reimburse Leonard Green for travel (at the rate of first class travel) based on Limited Partner Agreements.⁵ Leonard Green’s 2016 and 2015 ADV reported portfolio companies reimburse the firm for flights, which are not subject to fee offsets for LPs.⁶ Moreover, the 2016 ADV said Main Funds bear travel expenses associated with unconsummated transactions.⁷

Leonard Green owns three private jets for a staff of around 40.⁸ Flight data over the past five years from the FAA of the three jets shows around 2,400 flights from January 2011 through January 10, 2016.

Certain flights












A list of 100 trips (representing 523 flights out of the total 2,400 flights) Leonard Green has taken since 2011 is available [online](#). For all of its 2,400 flights, including these 100 trips, Leonard Green should disclose the purpose of travel (business or personal) and how flights are paid (billed to portfolio company, GEI fund, or limited partners). Some of these trips include multiple legs of travel that may have each been billed differently.







The Institutional Limited Partners Association issued a fee template January 2016⁹ which calls for detailed disclosures including reimbursements received by the GP from portfolio companies, reimbursements for travel, broken deal and other fees.¹⁰



Photo: Aspen Meadows View, Éamonn Ó Muirí, CC

We urge Leonard Green to provide detailed responses to these questions, and disclose the purpose and billing for each of the 100 trips. Below are a few examples.

-  Over Christmas 2015, N950LG spent from Dec. 20, 2015 through Jan. 1, 2016 in Miami, FL. (See example 1).
-  Leonard Green has flown at least three times to South Bend, IN during a weekend when a Notre Dame Football home game was scheduled.¹¹ Leonard Green owns a portfolio company based in South Bend.¹²
-  September 5, 2015: Notre Dame played the Texas Longhorns.¹³ N850LG flew to South Bend September 3 - 6, 2015. (See example 6)
-  October 11, 2014: Notre Dame played the South Carolina Tar Heels.¹⁴ N750LG flew to South Bend from October 10 - 12, 2014. (example 30)
-  October 19, 2013: Notre Dame played the USC Trojans.¹⁵ N750LG flew to South Bend on October 17 - 20, 2013. (example 67)
-  A day prior to the 2015 Super Bowl in Glendale, AZ, on Jan. 30, N950LG flew to Scottsdale, AZ.¹⁶ (example 19)
-  N850LG traveled over a six-week period from July 17 – Sept. 1, 2015, with a string of domestic and international stops. Destinations included flights to or from: Westhampton, NY (9 flights); Westchester, NY (6 flights); Bedford, MA (4 flights); and international flights to or from Ireland, London, Turkey, and Montreal. (example 10)
-  At least 5 trips to the Bahamas:
 -  On April 4, 2015 N950LG flew to Savanna, GA, then on April 9 to the Bahamas. On April 10 it flew to Scottsdale, AZ for a few hours then flew back to Santa Monica. Two Leonard Green Partners sit on the board of a former LGP investment¹⁷ based in Phoenix, AZ. ¹⁸ (example 13)
 -  In January 2015, N750LG flew from Santa Monica to the Bahamas on Jan. 24 with a stop in Austin, TX, and returned the same way January 29. Austin is the home of a former LGP investment¹⁹, two partners currently sit on the board.²⁰ (example 20).
 -  On April 22, 2014, N750LG flew from Dulles to the Bahamas and returned four days later. (example 43).

-  Over Thanksgiving in 2013, N950LG flew to the Bahamas, spending from Nov. 24 – Dec. 1 on two different islands. The return flight stopped in Palm Beach, near where a portfolio company is based.²¹ (example 63)
-  In January 2013, N850LG flew to the Bahamas on Jan. 26 and Saint Martin on Jan. 29. The plane made stops in Bedford, MA and Westchester, NY. (See example 84).
-  On December 10, 2014 N950LG flew to Austin, TX. The following day it flew to Santa Fe, NM where it stayed for three hours. A Leonard Green limited partner is based in Santa Fe.²² Two limited partners are based in Austin²³ and two partners sit on a company board based there.²⁴(example 24)
-  In December 2014, N950LG flew to several cities where limited partners are based.²⁵ The jet landed in Portland, OR on Dec. 1, then flew to Olympia, WA and Victoria, BC followed by Juneau, AK on Dec. 2. (example 25)
-  On Sunday May 4, 2014 N750LG flew from Santa Monica, CA to Mendocino, where a Leonard Green partner owns a residential property.²⁶ The plane then went to Truckee Tahoe airport, then to Monterey. On May 5, the jet returned to Santa Monica. On May 10 the jet returned to Mendocino for one night before returning to Santa Monica. (example 42)
-  Christmas week 2012 was spent in Colorado. On December 23, 2012 N850LG flew from Englewood, CO (where a portfolio company is based)²⁷ to Aspen and back. Then, it flew to Vail on Dec. 27. (example 85)

A list of the 100 selected flights is available [online](#) with downloadable copies.

Endnotes

- 1 Leonard Green & Partners. 2016 [ADV Brochure](#). Page 6.
- 2 Leonard Green & Partners. 2016 [ADV Brochure](#). Page 6.
- 3 Leonard Green & Partners. 2015 [ADV Brochure](#). Page 5.
- 4 PEI. *PE Manager*. “[Union questions Leonard Green private jet use](#)”. February 16, 2016.
- 5 According to emails from at least three limited partners. The reported reimbursement rate is the equivalent of first class commercial fares.
- 6 Leonard Green & Partners. 2016 [ADV Brochure](#). Page 6.
- 7 Leonard Green & Partners. 2016 [ADV Brochure](#). Page 5-6.
- 8 Leonard Green & Partners. Website. “[Firm Professionals](#)”. Accessed online March 2016.
- 9 Institutional Limited Partners Association. “[ILPA Fee Reporting Template](#)”
- 10 Institutional Limited Partners Association. [Fee Reporting Template](#).
- 11 See examples 6, 30, and 67 in the spreadsheet.
- 12 Leonard Green & Partners. The Tire Rack, based in South Bend, Indiana. [Investments Page](#). Accessed online March 2016.
- 13 FB Schedules. 2015 [Notre Dame Schedule](#).
- 14 FB Schedules. 2014 [Notre Dame Schedule](#).
- 15 FB Schedules. 2013 [Notre Dame Schedule](#).
- 16 Leonard Green & Partners. Website. [Firm Professionals](#). [John Danhakl](#) and [John Baumer](#) listed as currently serving on the board of Leslie’s Poolmart, Inc. Accessed online March 2016.
- 17 Leonard Green & Partners. Website. “[Past Investments](#)”. Accessed online March 2016
- 18 Leonard Green & Partners. Website. [Firm Professionals](#). [John Danhakl](#) and [John Baumer](#) listed as currently serving on the board of Leslie’s Poolmart, Inc. Accessed online March 2016. <http://www.leonardgreen.com/FirmProfessionals.html>
- 19 Leonard Green & Partners. Website. “[Past Investments](#)”. Accessed online March 2016.
- 20 Whole Foods Market. [Board of Directors](#). LGP partner Jonathan Seiffer and managing partner Jonathan Sokoloff sit on the board of Whole Foods. Accessed online March 2016.
- 21 AerSale is based in Coral Gables Florida. Leonard Green Website. [Investments](#). Accessed online February 2016.
- 22 New Mexico SIC in an Investor in [several Leonard Green Funds](#).
- 23 Preqin data accessed June 2015. [Texas Teachers Retirement System](#) is based in Austin, as well as [UTIMCO](#).
- 24 Whole Foods Market. [Board of Directors](#). LGP partner Jonathan Seiffer and managing partner Jonathan Sokoloff sit on the board of Whole Foods. Accessed online March 2016.
- 25 Preqin data accessed June 2015. [Washington State Investment Board](#) (Olympia), [British Columbia Investment Management Corporation](#) (Victoria), and [Alaska Retirement Management Board](#) are all investors in Leonard Green & Partners (Juneau).
- 26 Mendocino County Tax Assessor. Danhakl Trust owns a home in Little River (Mendocino County), CA. APN: 121-260-44-00.
- 27 Leonard Green & Partners. Website. “[Investments](#)”. The Sports Authority, based in Englewood, CO. Accessed online March 2016.