

CAPITAL Z PARTNERS MANAGEMENT, LLC

PART 2A OF FORM ADV: FIRM BROCHURE

Item 1. Cover Page

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This brochure provides information about the qualifications and business practices of Capital Z Partners Management, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 965-2400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Capital Z Partners Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

We refer to ourselves as a “registered investment adviser”. Registration does not imply a certain level of skill or training.

Item 2. Material Changes

This is our initial disclosure brochure on SEC Form ADV Part 2A.

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Item 4. Advisory Business

Capital Z Partners Management, LLC (“CZPM”, “we”, “us” or “our”) was formed as a Delaware limited liability company, and is based in New York, New York. We are an investment management firm that advises private investment funds that invest in insurance, specialty finance, banking, asset management, securities brokerage and related services businesses, primarily in the United States, Bermuda and Europe, with a particular focus on the insurance industry (collectively, “financial services businesses”). We were established in 2006, and we are principally owned by Robert Spass and Bradley Cooper (collectively, the “Principals”).

We provide investment management services to the following private investment funds:

Capital Z Financial Services Fund II, L.P. Capital Z Financial Services Fund II, L.P., a Bermuda limited partnership (“CZFS II Qualified”), is a private equity fund that invests in financial services businesses.

Capital Z Financial Services Private Fund II, L.P. Capital Z Financial Services Private Fund II, L.P., a Bermuda limited partnership (“CZFS II Private” and collectively with CZFS II Qualified, the “CZFS II Funds”), is a private equity fund that invests in financial services businesses.

Capital Z Partners III, L.P. Capital Z Partners III, L.P., a Cayman Islands exempted limited partnership (“CZP III”), is a private equity fund that invests in financial services businesses.

Capital Z Partners III Universal, L.P. Capital Z Partners III Universal, L.P., a Delaware limited partnership (“CZP III Universal” and collectively with CZP III, the “CZP III Funds”), is an investment vehicle that was formed for the purpose of facilitating an investment in Universal American Corp. (“Universal”).

The CZFS II Funds and the CZP III Funds are collectively referenced in this brochure as the “Funds” or as our “Clients”. Investors in the Funds are referenced in this brochure as “investors” or “limited partners”.

We advise each of the Funds in connection with its respective investments in the financial services businesses. Through our extensive history of investing in financial services businesses, we have developed an expertise and relationships that allow us to proactively source proprietary transactions across multiple industry sub-sectors and add significant value to each of the portfolio companies in which the Funds invest. In addition, we have developed a core competency in completing certain types of transactions specific to the Funds’ areas of focus that possess attractive valuation and structural characteristics.

We are actively involved with the portfolio companies of the Funds in a number of capacities, including: (i) assisting in setting strategic direction and priorities; (ii)

designing specific performance improvement projects; (iii) helping to identify and recruit managers; (iv) advising on acquisition and financing transactions; (v) contributing market information; and (vi) developing a targeted investor relations program.

We tailor our advisory services to the stated objectives of the Funds. Limitations and restrictions on certain investments or types of investments, if any, are set forth in the operative agreements of, and/or the investment management agreements entered into with, the Funds.

Wrap Fee Programs

We do not participate in wrap fee programs.

Assets Under Management

As of November 15, 2011, we manage approximately \$673 million on a discretionary basis. We do not manage any assets on a non-discretionary basis.

Item 5. Fees and Compensation

The CZFS II Funds. Subsequent to January 1, 2012, neither of the CZFS II Funds is charged a management fee.

CZP III. CZP III is generally charged a management fee equal to 2% per annum of its limited partners' capital commitments, paid quarterly in advance. Management fees are not generally negotiable. Management fees are due and payable at the beginning of each quarter, and they are deducted from the account of CZP III. The management fee for any period in which we serve as the investment manager for less than a full quarterly period will be pro-rated accordingly.

CZP III Universal. We received a one-time fee from CZP III Universal generally equal to 2.5% of the amount invested by the Universal Co-Investor at the time such investment was made in May 2007. We are entitled to no further fees or compensation in respect of CZP III Universal.

Other Fees and Expenses

We may receive management, directors', consulting and other similar fees and transaction fees in connection with the activities of the Funds ("Other Fees"). In addition, we may be reimbursed by the Funds' portfolio companies for expenses that we incur in connection with its performance of the services that give rise to the Other Fees. We also may receive fees or other forms of compensation payable by a third party as a result of the failure to consummate a proposed investment by one of the Funds ("Break-Up Fees"). We typically negotiate the Other Fees and the Break-Up Fees on a case-by-case basis in connection with a particular transaction.

In general, the management fee that a Fund pays us is reduced by a portion of the Other Fees and Break-Up Fees, if any, received by us in connection with the activities of that Fund.

Each Fund will typically pay all costs and expenses relating to its operations, including, but not limited to: legal, auditing, consulting and accounting fees and expenses; expenses of meetings of its advisory committee and of its limited partners; insurance, indemnification and other expenses associated with the acquisition, holding and disposition of proposed or actual portfolio investments; all extraordinary expenses, such as litigation; interest on and fees and expenses arising out of all permitted borrowings made by the Fund; all third-party expenses relating to unconsummated transactions; all expenses of liquidating the Fund; and any taxes, fees or other government charges levied against the Fund and expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund.

Neither we nor any of our “supervised persons” accepts compensation for the sale of securities or other investment products.

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

The general partner of each CZFS II Fund and CZP III (in each case our affiliate) is generally entitled to a “carried interest” on such Funds’ profits in accordance with the provisions of such Fund’s limited partnership agreement. The “carried interest” is generally equal to a percentage of the investment proceeds distributable by a Fund in excess of the capital invested by such Fund’s limited partners, and is subject to a preferred return. The general partner of each Fund is also subject to a “clawback” of “carried interest” previously received to the extent that it has received cumulative distributions in excess of amounts otherwise distributable to the general partner by such Fund as “carried interest”, applied on an aggregate basis covering all transactions of the applicable Fund. In no event will the general partner of a Fund be required to restore more than the cumulative distributions received by such general partner as “carried interest” determined on an after-tax basis. The “carried interest” received by the general partner of a Fund is negotiated at the time such Fund is formed.

The existence of the general partner’s carried interest may create an incentive for us to make more speculative portfolio investments on behalf of our Clients than we might otherwise make in the absence of such performance-based arrangement.

Item 7. Types of Clients

We manage private investment funds that are exempt from registration under Section 3(c)(7) of the Investment Company Act of 1940, as amended.

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

Item 4 hereof contains a description of the methods of analysis and investment strategies that we use in formulating investment advice or managing assets.

All securities investments involve risk of loss, and Clients should be prepared to bear such risk. We make no guarantee or representation that its Clients will achieve their investment objectives or that Clients will receive a return of their capital.

The following is a list of material risks associated with the investment strategy or method of analysis that we use in formulating investment advice or managing assets:

- The investments made by the Funds typically do not generate current income. Therefore, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment.
- Generally, there will be no readily available market for a substantial number of the investments and, hence, most of the investments will be difficult to value.
- The Funds make a limited number of investments. As a consequence, their aggregate return may be adversely affected by the unfavorable performance of one or a small number of investments.
- With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance.
- The Funds hold minority interests in portfolio companies and, therefore, may have a limited ability to protect its interests in such portfolio companies and to influence such companies' management.
- The Funds may be authorized to invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments.
- The Funds may invest globally, including in portfolio companies located in emerging markets. Foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (a) currency exchange matters, (b) differences between the U.S. and foreign

securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, (c) the absence of uniform accounting and financial reporting standards and disclosure requirements, (d) certain economic and political risks, including potential restrictions on foreign investment and repatriation of capital or dividends and the risks of political, economic or social instability, (e) obtaining foreign governmental approvals and complying with foreign laws and (f) the possible imposition of foreign taxes on income and gains recognized with respect to such securities or distributions therefrom.

- The portfolio companies are engaged primarily in financial services businesses. Such industry concentration may involve risks greater than those generally associated with diversified private equity funds.

The following is a list of material risks that are particular to investments in financial services businesses:

- *Insurance Companies.* Insurance companies provide an array of services including, among others, property and casualty insurance, life and health insurance and reinsurance. The business, financial condition and results of insurance companies' operations can be adversely affected by the potential liabilities they face as frequent targets in substantial litigations. Other inherently unpredictable risks that could adversely impact the financial performance of these companies include, without limitation, the possible occurrence of natural or man-made disasters, acts of terrorism or other catastrophic events, fluctuations in interest rates and other changes in the investment environment that affect returns on insurance companies' investments, inflationary pressures that affect the size of losses, demographic trends such as an aging population and increasing obesity and declining federal reimbursements. The insurance industry is subject to extensive regulation. These regulations often require extensive reporting requirements and impose extensive restrictions applicable to the acquisition and day-to-day operation of insurance companies (including restrictions with respect to investments, accounting practices, conflicts of interest, payment of dividends and changes of control), all of which can impact the performance of these investments. Also, changes in the regulatory environment occur from time to time, and we are unable to predict when such changes may occur and how such changes might impact any of these investments. In addition, regulations can have an impact on the transaction structure of a potential investment which can affect our ability to invest in or dispose of such investment.
- *Other Financial Services Companies.* In addition to insurance companies, financial services companies include, among others, banks, securities and investment firms, brokerage firms and financial planning firms. The economic performance of these companies is significantly impacted by

conditions in the financial markets and economic conditions generally, both in the U.S. and elsewhere around the world. These companies compete on the basis of a number of factors, including transaction execution, products and services offered, innovation, reputation and price. Risks, other than competitive risks, that might adversely impact financial services companies include, without limitation, the decline in recent years (both in number and size) of securities underwritings and mergers and acquisition transactions, the volatility of the equities markets in the U.S. and elsewhere (and the fact that these markets remain at levels substantially below their record highs). In addition, these regulations can have an impact on the transaction structure of a potential investment which can affect our ability to invest in or dispose of such investment.

Item 9. Disciplinary Information

None.

Item 10. Other Financial Industry Activities and Affiliations

We are not registered, nor do we have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. We are also not registered, nor do we have any application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

The following entities are the general partners of the Funds, each of which is controlled by the Principals:

- Capital Z Partners, L.P., a Bermuda limited partnership, acts as the general partner of the CZFS II Funds
- Capital Z Partners III GP, L.P., a Cayman Islands exempted limited partnership, acts as the general partner of CZP III
- Capital Z Partners III Universal GP, LLC, a Delaware limited liability company, acts as the general partner of CZP III Universal.
- Capital Z Partners III USI GP, LLC, a Delaware limited liability company, acts the general partner of Capital Z Partners USI GP, LLC.

See discussion of conflicts of interest in Item 11 below.

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

Code of Ethics

We have adopted a “Code of Ethics,” which is included as a part of our “Compliance Manual” and which (along with any amendments) is provided to each employee. Our Code of Ethics requires all of our employees to conduct themselves with integrity and dignity and to act in a professional and ethical manner in all dealings on our behalf; act with competence and strive to maintain and improve their competence; use proper care and exercise independent professional judgment in the execution of their duties; avoid actions or relationships that might conflict, or appear to conflict with, job responsibilities or the interests of our firm and our Clients; and comply with all applicable federal securities laws. Also, our Code of Ethics and Compliance Manual inform our employees on what constitutes material, nonpublic information and the laws and requirements relating to insider trading and confidentiality of nonpublic information.

Each employee must certify that he or she has read, understands and agrees to comply with our Compliance Manual. Each employee must also certify annually that he or she has complied with the Compliance Manual. We hold an annual compliance training session and attendance is mandatory for all employees.

Our “Access Persons” (all employees except for certain employees involved only in clerical and administrative activities) are required to notify us of all of their securities holdings and accounts and to submit to us within 30 days after the end of each calendar quarter securities transaction reports identifying all securities purchased and sold. At least quarterly, we review the employee securities transaction reports as well as brokerage and adviser statements to determine compliance with our reporting procedures. Furthermore, we require that each Access Person re-affirm the accuracy of his or her list of accounts on record with us at least annually. Access Persons are required to obtain our approval before investing in any initial public offering of securities or in any private placement of securities.

A copy of our Code of Ethics will be provided to any Client or prospective Client upon request.

Conflicts of Interest

Participation or Interest in Client Transactions. As described in the responses to Items 5 and 6, we are generally entitled to receive management fees, and the general partner of each of the CZFS II Funds and CZP III is entitled to receive a carried interest, from each of such Funds. The general partners of the CZFS II Funds and CZP III are also required to make capital commitments to such Funds. We may receive fees from such Funds’ portfolio companies for performing consulting and other services for, or serving as directors (or similar positions) of, such companies. Each of the foregoing may represent a conflict of interest in our selection of portfolio investments for such Funds. These

potential conflicts of interest are mitigated in part because (i) the general partner has a capital commitment in each such Fund; (ii) our consulting, servicing and board member fees are negotiated with applicable portfolio company management teams; (iii) our fees are disclosed to such Funds' investors; and (iv) a portion of the consulting, servicing and board member fees we receive are offset against management fees otherwise payable by such Funds (as described in the response to Item 5 above).

Allocation of Investment Opportunities. In general, due to the sequential nature in which the Funds are formed, we will likely be pursuing new investment opportunities for only one Fund at any one time. To the extent that the expiration of a Fund's commitment period has not occurred when a subsequent Fund is formed, we may be required to offer certain investment opportunities to such prior Fund in preference to, or in conjunction with, a subsequent Fund. It is also possible that a prior Fund will be permitted to make a follow on investment in a portfolio company alongside a subsequent Fund's first time investment in that company. In that instance, we will obtain the approval of the subsequent Fund's advisory board.

Where possible and appropriate, we may offer certain persons (other than the general partners and their affiliates), including limited partners or other third parties, co-investment opportunities in portfolio companies in which a Fund is making an investment. Such co-investment opportunities typically are made available when there is excess capacity to invest capital in any such portfolio company due to concentration and/or size limitations imposed upon such Fund pursuant to the terms of its limited partnership agreement.

Co-investment opportunities in portfolio companies of CZP III may be offered to (i) limited partners of CZP III with capital commitments of at least \$15 million (pro rata based on their relative capital commitments) and (ii) to the extent that there is any remaining capacity, to the remaining limited partners of CZP III prior to making such co-investment opportunities available to non-limited partners of CZP III on such terms and conditions as determined by the general partner of CZP III. The limited partnership agreement of CZP III sets forth in greater detail the terms with respect to the allocation of such co-investment opportunities. In addition, we may establish one or more investment vehicles through which our employees, their family members and certain other persons who provide services to us may co-invest in such opportunities, up to an aggregate amount of \$10 million.

Principal Transactions. We do not anticipate entering into principal transactions, where we or any of our affiliates purchase or sell any security for our own account from or to the account of any Fund. In the event that we (or our affiliate) may engage in a principal transaction, we will obtain the approval of the applicable Fund's advisory committee.

Cross Transactions. We are not affiliated with a registered broker-dealer and as such cannot engage in agency cross transactions. While unlikely, we may engage in a cross transaction, where one Client purchases or sells any security for its account from or to the account of another Client. In the event of a cross transactions, we will obtain any

required Client approvals, including that of a Fund's advisory committee in accordance with the terms of such Fund's limited partnership agreement.

Item 12. Brokerage Practices

We do not make regular use of brokers for the purposes of purchasing or selling securities on behalf of the Funds because the securities that we typically purchase or sell on behalf of the Funds are acquired and/or disposed of in privately negotiated purchase and sale transactions.

From time to time, we may use a broker to effect transactions in public securities resulting from, or in connection with, portfolio investments. In those instances, we have full discretionary authority with respect to the selection of, and commissions paid to, brokers. If we determine to engage a broker, we will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness to us, and the value to us of research provided, if any.

We do not receive soft dollar benefits or Client referrals from broker-dealers in connection with Client transactions.

Item 13. Review of Accounts

Our investment professionals continuously monitor the portfolio companies in which the CZFS II Funds and CZP III have made investments, and they generally attend meetings on an at least weekly basis to discuss and review such investments.

Limited partners in the CZFS II Funds and CZP III generally receive unaudited financial statements on a quarterly basis and audited financial statements on an annual basis. In addition, limited partners in the CZFS2 Funds and CZP III generally receive semi-annual reports containing descriptive information with respect to each portfolio company.

Limited partners in CZP III Universal generally receive unaudited financial statements on a quarterly basis and audited financial statements on an annual basis. In addition, limited partners in CZP III Universal receive an annual report containing descriptive information with respect to Universal.

Item 14. Client Referrals and Other Compensation

We sponsor the formation of each Fund, and we do not engage or compensate third party referral agents to solicit for us new Clients. In the event that we engage, and will make a cash payment to, any solicitor of Clients, we will do so in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. We will bear the full costs of any compensation paid to such solicitors.

Item 15. Custody

All funds and securities of Clients are maintained with independent custodians. We are responsible for the custody arrangements on behalf of each of the Funds.

Each of the Funds is subject to annual audit and copies of the audited financial statements (prepared in accordance with generally accepted accounting principles) are sent annually to limited partners in each of the Funds within 120 days after the end of each year. We maintain bank and/or brokerage accounts for the benefit of each of the Funds. Each such account is opened and maintained in the name of the respective Fund.

Item 16. Investment Discretion

We have entered into an investment management agreement with each of the Funds, which agreement provides us with full discretion to determine investments to be purchased and sold and the terms of those transactions. Limitations on our investment discretion are set forth in the respective investment management agreement, the agreement of limited partnership or other operative agreement of the respective Fund.

Item 17. Voting Client Securities

Our regulatory compliance policies and procedures manual sets forth our policies and procedures with regard to voting Client securities. We have designated a Securities Voting Program Administrator (“SVPA”) who is responsible for ensuring that all decisions with regard to voting of securities on behalf of Clients are made in accordance with our policies and procedures.

The SVPA will determine whether there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interests of any Client. If the SVPA determines that there is no material conflict of interest, the SVPA will make the voting determination and will be responsible for ensuring that voting action takes place on a timely basis and that a written record of the actual voting action and the basis of the voting determination is maintained.

If the SVPA identified a material conflict of interest, the SVPA must determine (i) whether the conflict involves us, our affiliate or our employee, (ii) whether the SVPA is the conflicted party and, if so, whether an alternative SVPA or senior employee could be assigned to be responsible for voting and (iii) whether we are capable of making an independent determination as to the securities voting decision.

Our Clients do not have the ability to direct their vote in a particular solicitation.

A copy of our proxy voting policies and procedures will be provided to any Client and prospective Client upon request.

Item 18. Financial Information

N/A

Item 19. Requirements for State-Registered Advisers

N/A