

# WCA Management Corporation Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of WCA Management Corporation (“WCA” or the “Firm”). If you have any questions about the contents of this brochure, please contact Jonathan Rather at (212) 893-9500. 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 WCA is also available on the SEC’s website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Table of Contents

Advisory Business .....	3
Fees and Compensation .....	4
Performance Based Fees and Side-by-Side Management .....	4
Types of Clients.....	4
Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Disciplinary Information .....	5
Other Financial Industry Activities and Affiliations .....	6
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	6
Brokerage Practices .....	6
Review of Accounts .....	7
Client Referrals and Other Compensation.....	7
Custody.....	8
Investment Discretion.....	8
Voting Client Securities .....	8
Financial Information .....	8

## Advisory Business

WCA is a corporation formed under the laws of the state of Delaware. Patrick Welsh is the only shareholder who owns more than 25% of WCA. WCA (or its predecessors) has been in business since 1979.

WCA serves as an investment manager to related private investment partnerships organized to manage private equity investments in equity securities or subordinated debt of established businesses (each, a “Partnership”). The Investment Period for each of the Partnerships is terminated. As a result, the Firm’s strategy is limited to formulating and executing the disposition of investments or securities held by each Partnership.

The Firm’s three equity Partnerships, Welsh, Carson, Anderson & Stowe VI, L.P., Welsh, Carson, Anderson & Stowe VIII, L.P. and WCAS Healthcare Partners, L.P. (each, an “Equity Partnership”), maintain an aggregate capital of approximately \$42 million and the two subordinated debt partnerships, WCAS Capital Partners II, L.P. and WCAS Capital Partners III, L.P. (each, a “Subordinated Debt Partnership”), maintain an aggregate capital of approximately \$160 million as of December 2011.

In providing services to each Partnership, WCA formulates the investment objective for each Partnership and provides periodic reports to investors in each Partnership. Investment advice is provided directly to each Partnership and not individually to the limited partners of the Partnerships. WCA manages the assets of each Partnership in accordance with the terms of the governing documents applicable to each Partnership.

## **Fees and Compensation**

WCA does not receive any management fees for the Equity Partnerships. The general partner of each Equity Partnership receives a carried interest allocation of 20% of profits on distributions derived from the disposition of investments or securities of such Equity Partnership.

WCA does not receive any management fees for the Subordinated Debt Partnerships. The general partner of each Subordinated Debt Partnership receives a carried interest allocation of 20% of the net capital gains of such Subordinated Debt Partnership.

Pursuant to the Agreement of Limited Partnership of each Partnership, limited partners are not permitted to make voluntary withdrawals. In the event of a non-voluntary withdrawal, WCA will refund all pre-paid fees that have not been earned.

Detailed information regarding the fees and carried interest allocations charged to each Partnership is provided in such Partnership's Agreement of Limited Partnership and related documents. In addition to the carried interest allocations, limited partners of each Partnership will bear indirectly the fees and expenses charged to such Partnership. Those fees and expenses will vary, but typically will include fees associated with selling portfolio investments, legal and accounting fees, taxes, commissions and brokerage fees, registration expenses, fees to government regulatory agencies, the cost of directors' and officers' liability insurance and other expenses such as litigation expenses. Investors should review all fees and expenses charged by WCA, its affiliates, and others to fully understand the total amount of fees and expenses to be paid by the Partnerships and, indirectly, their limited partners.

## **Performance Based Fees and Side-by-Side Management**

Each Partnership allocates to its general partner a carried interest of up to 20%. The carried interest may create an incentive for the general partner of the Partnership to make different decisions regarding the timing and manner of the realization of such investments than would be made if such carried interest were not allocated to the general partner.

## **Types of Clients**

WCA provides advisory services to four Equity Partnerships and two Subordinated Debt Partnerships. Each Partnership operates as pooled investment vehicle. None of the Partnerships are accepting new limited partners.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

WCA seeks to dispose of private equity investments or securities at attractive prices. The Partnerships managed by WCA do not invest in any new portfolio companies.

Being a limited partner in one of the Partnerships involves a number of risks. An investment in a Partnership may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Partnership. No guarantee or representation is made that the Partnership will achieve its investment objective or that limited partners will receive a return of their capital.

All investing involves a risk of loss and the investment strategy offered by WCA could lose money over short or even long periods. The description contained below is a brief overview of some different market risks related to WCA's investment strategy:

**General Business and Management Risk.** Investments in portfolio companies subject the Partnerships to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. 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 have a significant adverse effect on the portfolio company's performance. While in all cases WCA will monitor portfolio company management, management of each portfolio company will have day-to-day responsibility of such portfolio company.

**Lack of Diversification.** Each Partnership has a portfolio that is nondiversified.

**Liquidity Issues.** The Partnerships generally hold investments in instruments where there is no actively traded market. Moreover, many of a Partnership's investments may be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, a Partnership may find it more difficult to sell such instruments when WCA believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to a Partnership may be further limited. Finally, dispositions of investments may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

**Valuation of Assets.** There is no actively traded market for most of the securities owned by the Partnerships. When estimating fair value, WCA will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of WCA.

Investors in a Partnership should review the Partnership's Agreement of Limited Partnership and related documents to understand the risks and potential conflicts of interest. However, the risks and potential conflicts of interests described in a Partnership's Agreement of Limited Partnership are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of a Partnership.

## **Disciplinary Information**

WCA and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

The general partners of WCA have an indirect ownership interest in WCA Fraser Sullivan Investment Management, LLC (“Fraser Sullivan”), a fixed income investment manager located in New York that focuses on opportunistic investments in the credit markets and invests in a variety of debt instruments across corporate capital structures. As the Investment Period for each Partnership has terminated, no Partnership assets may be managed by Fraser Sullivan.

In certain limited circumstances, general partners of WCA may serve as advisers to other private equity sponsors that are not affiliated with WCA if such service does not present a material conflict of interest with WCA. Currently, one general partner of WCA serves as an advisor to an unaffiliated private equity sponsor.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

WCA has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 which is predicated on the principle that WCA owes a fiduciary duty to its clients. Accordingly, employees of WCA must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of clients. Therefore, WCA endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity. Generally, employees may sell securities that are also held by the Partnerships on a pro-rata basis within approved trading windows and provided that the Partnership has sold or distributed at least 25% of its original position. In addition, employees must seek pre-approval from the Chief Compliance Officer or his designate before purchasing or selling the securities of information/business services and healthcare companies, purchasing or selling interests in limited offerings and receiving allocations of initial public offerings. WCA’s Code of Ethics is available for review and will be provided to any client upon request.

WCA, its employees and/or a related entity will have an investment in each Partnership. For example, the general partner for each Partnership is 100% owned by one or more of the general partners of WCA and other professionals working for WCA. In addition, WCA and its general partners will participate in each Partnership’s investment program by agreeing to commit a certain percentage of such Partnership’s total capital commitments or a certain amount as defined in such Partnership’s governing documents. Therefore, WCA, its employees and/or a related entity participate in transactions effected for each Partnership.

## **Brokerage Practices**

WCA focuses on disposing of investments in private securities, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer and commissions are not ordinarily payable in connection with such disposals. To the limited extent WCA transacts in public securities it intends to select brokers based upon the broker’s ability to provide best execution for the Partnerships. WCA is generally authorized to make the following determinations, subject to the Partnership’s investment objectives and restrictions, without obtaining prior consent from the relevant Partnership or any of their investors: (i) which securities or other instruments to sell; (ii) the total amount of securities or other instruments to sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for

transactions.

In making its decisions regarding the allocation of brokerage transactions for Partnerships, WCA will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although WCA generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

WCA does not participate in any soft dollar arrangements outside of receiving research available to other institutional investors. Research services received from brokers and dealers are supplemental to WCA's own research effort. To the best of WCA's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. WCA does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services due to the difficulty associated with the broker-dealers not breaking out the costs for such services.

## **Review of Accounts**

WCA primarily focuses on disposing investments in private equity. All disposals are carefully reviewed and approved by WCA's Investment Review Committee which is comprised of every general partner of WCA and chaired by one of the Co-Presidents. The progress of all portfolio companies is carefully monitored on a regular basis and is subject to the constant supervision and review by WCA investment professionals.

WCA provides quarterly and annual reports to each limited partner. The quarterly report includes detailed Partnership financial statements as well as a comprehensive investment memorandum describing the major events and valuation changes that occurred during the quarter as well as an overview of general market conditions. The annual report includes much of the information contained in the quarterly reports as well as an in depth review of every portfolio company held by such Partnership. WCA also provides audited financial statements annually and holds a semi-annual investor meeting.

## **Client Referrals and Other Compensation**

A general partner of WCA who serves on the board of directors of a portfolio company may receive cash compensation, options and/or restricted stock in his capacity as a director. All compensation received by a general partner of WCA for service on a portfolio company's board of directors must be turned over to WCA.

## **Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks, however WCA has access to client accounts since it or an affiliate serves as the general partner of each Partnership. Limited partners of the Partnerships have appointed an accountant registered with the Public Company Accounting Oversight Board (“PCAOB”) to receive statements from the custodians. WCA has also appointed an accountant registered with the PCAOB to conduct not less than annually a surprise securities count at WCA’s qualified custodians.

## **Investment Discretion**

WCA generally has discretionary authority to determine, without obtaining specific consent from the Partnership or its limited partners, the securities and amount to be sold. Any limitations on authority are included in the Partnership’s Agreement of Limited Partnership and other governing documents.

## **Voting Client Securities**

Most of the portfolio companies held by the Partnerships are private companies which typically do not issue proxies. However, in the event proxies have to be voted, WCA has adopted proxy voting policies and procedures, and shall be responsible for voting proxies on behalf of the Partnerships. WCA shall vote client proxies in a way that it believes will maximize shareholder value. In exercising its voting discretion, WCA and its employees will avoid any direct or indirect conflict of interest raised by such voting decision. WCA will provide adequate disclosure to the applicable Partnership’s limited partner advisory committee if any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential conflict of interest to WCA or any of its affiliates. A number of WCA’s investment professionals serve as board members for the Partnerships’ portfolio companies. In situations where WCA votes the proxy for a company in which a member of WCA serves on the board of directors, WCA has determined that it does not inherently present a conflict of interest as the purpose for serving on the board is to maximize the return on a Partnership’s investment and to ensure that such Partnership’s interests are protected.

A record of all proxy votes cast on behalf of the Partnerships will be maintained and available for review. Limited partners should contact Jonathan Rather for a copy of the proxy voting policy or information with respect to a specific proxy vote.

## **Financial Information**

WCA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.