

# FrontierCapital

**FC Capital Management, LLC  
Frontier Capital, LLC  
Frontier Investment Group, LLC  
Frontier II Investment Group, LLC  
Frontier III Investment Group, LLC**

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**Part 2A of Form ADV: Firm Brochure  
March 28, 2012**

This brochure provides information about the qualifications and business practices of FC Capital Management, LLC (the “Adviser”) and its affiliated “Relying Advisers” listed above. If you have any questions about the contents of this brochure, please contact us at 704-414-2880. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Additional information about the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ***Advisory Business***

### General Information

FC Capital Management, LLC (the “Adviser”) is a Delaware limited liability company organized in October 2007.

### Relying Advisers

The Adviser offers investment advisory services to its clients directly and through the following related persons of the Adviser, each of which is under common control with the Adviser (the “Relying Advisers”): (i) Frontier Capital, LLC; (ii) Frontier Investment Group, LLC; (iii) Frontier II Investment Group, LLC and (iv) Frontier III Investment Group, LLC. In providing investment advisory services to clients, the Adviser and the Relying Advisers seek to tailor their services to client needs, interests and circumstances.

### Frontier Funds Investment Advisory Services

The Adviser provides investment advisory services to certain pooled investment vehicles (each a “Fund” and collectively, the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”) through the Relying Advisers. As the investment adviser to a particular Fund, each Relying Adviser identifies investment opportunities for, and participates in the acquisition, management, monitoring and disposition of investments, of the applicable Fund. All supervised persons acting on behalf of the Relying Advisers are also supervised persons of the Adviser. In addition, the Adviser and Relying Advisers operate under a single code of ethics (the “Code”) and compliance manual that is administered by the Adviser’s Chief Compliance Officer (the “CCO”). Accordingly, all references to the Adviser in this disclosure brochure include one or more of the Relying Advisers, as applicable.

*SBIC Fund.* The Adviser provides investment advisory services to one SBIC Fund, Frontier Fund I, L.P., which is regulated by the Small Business Administration (the “SBA”). The SBIC Fund focuses on investments in companies that (i) satisfy the requirements set forth by the SBA for an SBIC and (ii) are located in the United States. The primary investment advisory services provided by the Adviser to the SBIC Fund is researching and advising on private equity investments across a wide variety of industries. Such investments typically are made in privately offered securities. Although the primary focus of each of the SBIC Fund is on private equity investments, the Adviser may from time to time recommend other types of investments consistent with the Fund’s investment strategy and objectives, as set forth in its offering documents.

*Frontier Funds.* The Adviser also provides discretionary investment advisory services to the following Funds: (i) Frontier Fund II, L.P., (ii) Frontier Affiliates Fund II, L.P. and (iii) Frontier Fund III, L.P. (the “Frontier Funds”). For the Frontier Funds, the Adviser targets unlevered investments in technology-enabled business services companies that exhibit profitability, predictable revenue, high gross margins and high growth potential. Investments made by the Frontier Funds are typically structured as preferred equity to enhance returns and to provide downside protection. Although the primary focus of each of the Frontier Funds is on private equity investments, the Adviser may from time to time recommend other types of investments consistent with the respective Fund’s investment strategy and objectives, as set forth in its offering documents.

#### Investment Discretion

All of the Adviser’s investment advisory services are provided on a discretionary basis. As of December 31, 2012, the Adviser had \$295,300,000 in assets under management.

#### Principal Owners

Richard T. Maclean, Andrew D. Lindner and Goldpark Limited are the owners of the Adviser.

#### ***Fees and Compensation.***

##### Fees For Frontier Fund Investment Advisory Services

The Frontier Funds generally pay the Adviser (through the general partner of each Frontier Fund (each, a “General Partner”)) an annualized management fee of up to 2.50%, as set forth below, and as further described in each Frontier Fund’s offering documents (the “Management Fee”). The Management Fee is typically paid quarterly in advance and is deducted from the applicable Frontier Fund. Initially, each Frontier Fund pays the Management Fee on each investor’s committed capital. After the investment period and upon the happening of certain other events, as described in detail in the offering documents of each Frontier Fund, the percentage fee of the Management Fee may be reduced.

##### Fees for SBIC Fund Investment Advisory Services

The SBIC Fund is no longer in its investment period and, therefore, it no longer pays a management fee.

##### Other Fees

In addition, each client, including each Fund and the SBIC Fund, is also responsible for certain of its operating expenses including, without limitation, legal, accounting, tax, auditing and administrative fees, as outlined in its offering documents. Each client is also responsible for brokerage commissions and custodial fees paid to third parties.

#### Miscellaneous Information about Fees and Compensation

In the event of a termination of a client's investment advisory agreement, fees will be prorated. Any paid but unearned fees will be promptly refunded to such client, and any fees due to the Adviser from this client will be invoiced or deducted from the client's account prior to termination. Notwithstanding the foregoing, the Adviser may negotiate or set a management fee different from the foregoing with respect to any Fund it manages.

Additional information related to the foregoing fee discussion is set forth below under "*Performance-Based Fees and Side-By-Side Management*" and "*Brokerage Practices*".

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

While the Adviser does not receive a performance based fee, the General Partner of each Fund generally is entitled to receive a distribution of carried interest of 20% of the net profits earned by each limited partner in each Fund, subject to an 8% preferred return. While the Funds have long-term investment strategies, potential investors should note that a carried interest arrangement may nonetheless provide an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement.

Notwithstanding the foregoing, the Adviser or its affiliates may negotiate or set carried interest or other terms that are different from the foregoing with respect to each Fund.

#### ***Types of Clients***

The Adviser currently provides investment advisory services exclusively to the Funds, subject to the direction and control of the General Partner of each Fund, and not individually to the limited partners of a Fund. The limited partners in each Fund may include high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, funds of funds, trusts, estates, charitable organizations and other business entities.

#### Minimum Investment Requirement for the Funds

The minimum investment requirement for the Funds generally ranges between \$500,000 to \$1,000,000. However, the General Partner of each Fund, in its sole discretion, may permit investments that are less than the required minimum investment commitment set forth in the applicable Fund's offering documents.

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

### **Methods of Analysis and Investment Strategies**

*Investment Strategies for the Frontier Funds.* The Adviser's strategy for the Frontier Funds consists of investing in directly sourced, established, high growth companies in the lower middle market. The Adviser targets unlevered investments in technology-enabled business services companies that exhibit profitability, predictable revenue, high gross margins and high growth potential. Frontier Fund investments are typically structured as preferred equity to enhance returns and to provide downside protection.

*Investment Strategies for the SBIC Fund.* For the SBIC Fund, the Adviser focused on private equity investments including second stage growth capital investments, management buyouts and recapitalizations. The SBIC Fund invested primarily in companies providing outsourced business services. Within the board category of outsourcing, the Adviser focused on outsourcing vendors of human resources, information and communications technology and other business process services. The SBIC Fund focused on making investments ranging between \$1 million and \$4 million each.

*Methods of Analysis for the Frontier Funds.* The Adviser's stage and sector focus enable it to employ an intensive direct sourcing process, which generates largely non-competitive investment opportunities. As potential investment prospects arise, the Adviser constructs a detailed initial summary memo outlining the opportunity, investment thesis and areas for further diligence ("Initial Summary"). The Initial Summary serves as the basis for further discussion of the opportunity, including scenarios under which the Adviser would be interested in pursuing an investment. Where appropriate, the Adviser uses trusted third-party consultants to enhance its internal diligence work. Through a combination of the Adviser's own analysis, customer, market and reference calling, extensive management interaction, use of third-party consultants and local market familiarity, the Adviser is able to obtain a holistic view of the investment prospect.

*Methods of Analysis for the SBIC Fund.* In evaluating investment opportunities for the SBIC Fund, the Adviser considered factors such as management capabilities, valuation estimates, capital availability, management's predisposition to work with investors, and predictability of exit opportunities.

### **Risk of Loss**

While the Adviser seeks to diversify each Fund's investment portfolio by investing in multiple companies, all investment portfolios are subject to risks. Accordingly, there can

be no assurance that a Fund will be able to fully meet its investment objectives and goals, or that investments will not lose money. Below is a description of several of the principal risks that each Fund may face.

*General Risks of Private Company Investments.* The Funds' investments will be subject to the risks generally inherent in privately held businesses. These risks include, without limitation, risks that the privately-held businesses (i) will not be able to attract sufficient capital to meet operating needs; (ii) will not have products or services that are accepted in the market; (iii) will not be able to attract a work force of a sufficient size; and (iv) will have competitors that are better funded. Further, since the Funds will likely make investments in early-stage companies or companies that have very limited operating histories, there is a higher risk than that associated with investments in mature companies with operating histories.

*Risks of Venture Investing.* The portfolio companies in which the Funds invest are likely to face intense competition, including competition from companies with greater financial resources, more extensive development, production, marketing and service capabilities, and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable.

*Illiquidity.* Investment in the Funds requires a long-term commitment, with no certainty of return. The Funds do not expect to generate cash flow to the limited partners in the near term. Most of the Funds' investments will be highly illiquid and there can be no assurance that the Fund will be able to realize return of its capital or profits on such investments in a timely manner, if at all.

*Reliance on the General Partner and the Principals.* Each Fund's General Partner will have exclusive responsibility for managing that Fund's activities, and limited partners will not be able to make investments or any other decisions in the management of the Funds. Additional members may be admitted to the General Partners following a Fund's initial closing, existing members may withdraw, and the limited partners will have no power to prevent any specific person from being admitted to, or withdrawing from, a General Partner. The loss of any individual principal of a General Partner could have a significant adverse impact on the business of a Fund.

*Conflicts of Interest.* The principals of the Funds currently manage multiple Funds that are engaged in similar investment activities. As such, conflicts between the interests of one Fund and another Fund may arise from time to time in differing contexts. The offering documents contain certain protections for limited partners against conflicts of interest faced by the General Partner and its members, but do not purport to address all

types of conflicts that may arise. By acquiring a limited partnership interest in a Fund, each investor will be deemed to have acknowledged the existence of such actual and potential conflicts of interest and to have waived any claim with respect to the existence of any such conflicts of interest. The Funds or the General Partners may, in certain circumstances, choose to seek the approval of a Fund's Advisory Committee, which consists of representatives from each Fund's limited partners, with respect to certain conflicts of interest. Any such approval of the Advisory Committee will be binding.

#### Additional Risks Relating to the SBIC Fund

The following risks apply to the SBIC Fund:

*Regulation by SBA.* The SBIC Fund is subject to SBA regulations and policies which may change during the life of the SBIC Fund in ways that might require the SBIC Fund to alter its business activities. Any such changes may have adverse consequences for the SBIC Fund.

*Use of SBA Leverage.* The use of SBA leverage will magnify the potential for both gains and losses with respect to investments made by the SBIC Funds. As a result of the commitment fees, repayment obligations and semi-annual interest payments to which the SBA is entitled, the SBIC Fund's investors may realize a lower return than they otherwise would have realized if they had made an investment in a fund that did not use SBA leverage, and may realize no return when they would have realized a positive return if they had made their investment in such a fund. There can be no assurance that the SBIC Funds that utilize SBA leverage will generate returns that exceed the crossover point for return enhancement attributable to SBA leverage. The payments to which the SBA is entitled may reduce or entirely eliminate returns to the SBIC Funds' investors if the SBIC Fund does not generate sufficient returns in excess of such payments.

*Ongoing Availability of SBA Leverage.* Becoming licensed as an SBIC does not ensure that the SBIC Funds will receive SBA leverage funding. Receipt of SBA leverage funding is dependent upon the SBIC Fund continuing to be in compliance with SBA regulations and policies and there being funding available. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and, in the future, may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient SBA leverage funding available at the times desired by the SBIC Fund.

Please see each Fund's offering documents for information about the specific risks associated with an investment in that Fund.

### ***Disciplinary Information***

The Adviser has no disciplinary events to disclose.

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

The General Partner of each Fund is an advisory affiliate of the Adviser.

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

#### **Code of Ethics**

Under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), the Adviser and its principals and certain employees (“Supervised Persons”) owe fiduciary duties to their clients. Consistent with these duties, the Adviser has adopted the Code that, among other things, requires that its Supervised Persons reflect the professional standards expected of investment advisers and comply with federal and state securities laws and regulations pertaining to the Adviser. Under the Code, Supervised Persons should place the interests of clients first, ahead of their own personal interests, and generally seek to treat clients fairly. In addition, Supervised Persons are prohibited from engaging in any practice that defrauds or misleads any client or investor, or engaging in any manipulative or deceitful practice with respect to clients, investors or securities.

The Code also includes provisions addressing personal trading by Supervised Persons, as summarized below:

*Personal Trading.* Under the Code, Supervised Persons are generally required to submit information about their personal trading activities to the Adviser’s CCO or the CCO’s designee for review. In addition, Supervised Persons are generally required to notify the CCO or the CCO’s designee and obtain advance approval of certain personal trades in securities that may be traded by the Adviser for client accounts or otherwise affected by investments made on behalf of clients. Violations of the Code may result in disciplinary action up to and including dismissal.

*Participation or Interest in Client Transactions.* Under the Code, Supervised Persons are prohibited from trading in securities on the basis of material, non-public information or communicating material, non-public information about the issuer of any security to any other person.

The Adviser will provide a copy of the Code to clients or prospective clients upon request.

### ***Brokerage Practices***

The Adviser does not normally utilize the services of broker-dealers for transaction related services. In the event that the Adviser chooses to use a broker-dealer for a securities transaction, the Adviser will seek to obtain best execution for any such transactions.

### **Soft Dollar Transactions**

The Adviser does not generate or use soft dollars, which are credits generated by transactions placed with certain securities broker-dealers that may be used to “purchase” certain research and brokerage products from such securities broker-dealers.

### **Aggregation of Trades**

The Funds normally do not actively trade in securities. However, the Adviser may aggregate a Fund’s securities trades with those of another Fund to the extent consistent with receiving best execution. Generally, Funds participating in an aggregated order will receive an average price of all trades placed that trading day and pay their ratable share of brokerage costs. In some cases, the Adviser may be excluded from aggregated block trades due to legal or regulatory concerns.

### ***Review of Accounts***

#### **Oversight and Monitoring**

The portfolio managers of each Fund will review Fund accounts not less than quarterly. These reviews will focus on appropriateness of the Fund’s investments for the Fund’s portfolio and the performance of the Fund.

#### **Reporting**

Investors in the Funds generally receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of the Fund. In addition, investors in each Fund will typically receive unaudited summary financial information regarding the Fund following the end of each financial quarter. Investors in the Funds also receive regular reporting updates through letters and investor meetings.

### ***Client Referrals and Other Compensation***

The Adviser does not engage solicitors who refer clients to the Adviser. The Adviser or its affiliates may, in certain instances, receive discounts on products and services provided by portfolio companies, or receive compensation for services provided to portfolio companies.

### ***Custody***

The Adviser (through the General Partners) is deemed to have custody of certain assets of the Funds. The Funds' qualified custodian is Bank of America. All of the Funds' certificated investment securities are held by the qualified custodian on behalf of the Funds. The Adviser does not use the qualified custodian to send quarterly account statements directly to the Funds or investors in the Funds. Each Fund is audited annually and the annual audited financial statements of each Fund are sent to the Fund's investors.

### ***Investment Discretion***

The Adviser has discretionary authority to determine the investments to be bought or sold and the amounts to invest for each client, including the Funds and the SBIC Fund under the governing documents of the Funds and other agreements.

### ***Voting Client Securities***

As a general policy, the Adviser votes proxies related to securities held in Fund accounts in a manner that serves the best interests of the Fund. Clients have no authority to direct the vote of the Adviser. In voting securities held by a Fund, the Adviser will attempt to resolve any conflict of interest between the Fund and the Adviser's business interests in the way that will most benefit the Fund. The Adviser maintains a detailed Proxy Voting Policy and a record of how the Adviser has voted proxies, each of which is available to clients upon request.

### ***Financial Information***

The Adviser does not require or solicit prepayment of fees six months or more in advance, and the Adviser currently does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.