

Yorkville Capital Management, LLC

Part 2A of Form ADV

Institutional and High Net Worth Brochure

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**Updated: June 2014**

This Brochure provides information about the qualifications and business practices of **Yorkville Capital Management** (“YCM”). If you have any questions about the contents of this Brochure, please contact us at **212-755-1970** or by email at **info@yorkvillecapital.com**. 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. Registration of an investment adviser does not imply any level of skill or training.

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



## Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated **June, 2014** is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

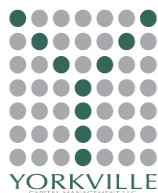
In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochures may be requested by contacting **Darren Schuringa, Managing Member** at **212-755-1970** or **[dschuringa@yorkvillecapital.com](mailto:dschuringa@yorkvillecapital.com)**.

Additional information about **Yorkville Capital Management** is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with **Yorkville Capital Management** who are registered, or are required to be registered, as investment adviser representatives of **Yorkville Capital Management**.



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## **Advisory Business**

**Yorkville Capital Management LLC ("YCM")** currently provides investment advice and investment supervisory services to institutions and high net worth individuals.

The Adviser is responsible for researching, selecting and monitoring the investments of each Account based on the investment objectives of the applicable client, and for making decisions as to when and how much to invest with or withdraw from a particular investment on behalf of the Account.

**YCM** was founded in 2006 by Darren R. Schuringa. As of December 31, 2013, **YCM** managed \$285,381,204 on a discretionary basis on behalf of approximately 230 clients.

## **Fees and Compensation**

In general, each Account is charged a management fee (a "Management Fee"), payable in advance, equal to (i) 0.50% (2.0% annually) of the fair market value ("FMV") of the net assets of the Managed Account constituting equity investments ("Equity Investments") at the beginning of each calendar quarter, and (ii) 0.125% (0.5% annually) of the FMV of the net assets of the Account other than Equity Investments ("Fixed-Income Investments") at the beginning of each calendar quarter. A pro rata Management Fee will be charged on any amount invested in the Account on other than the first day of a calendar quarter. In the case of a withdrawal by a client other than as of the last day of a calendar quarter, a pro rata portion of the Management Fee will be distributed by the Account to the client. YCM may deduct fees directly from client custodial accounts, or bill primary advisors or clients directly for fees.

On a limited basis, these fees have been negotiated with institutional and high net worth customers.

All expenses incurred in connection with the investment and trading activities of each Account, including, without limitation, all commissions, clearing fees, borrowing charges on securities sold short, custodial fees, and any other costs and expenses reasonably related to the operations of the Account, in each case, shall be paid out of the assets in the Account.

Generally, either the Adviser or a client may terminate their Account relationship, with or without cause, upon 30 business days' prior written notice by the terminating party to the other party, and any termination shall be deemed to occur as of the termination date set forth in such notice.



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

In addition, each Managed Account is typically charged an annual performance fee (a "Performance Fee"), payable in arrears, equal to 10% of (1) (A) the amount, if any, by which the (I) value of the Equity Investments at the end of such fiscal year, after payment of all Management Fees for such fiscal year then ending, exceeds (II) the value of the Equity Investments at the beginning of such fiscal year, minus (B) a 10% hurdle rate (but adjusted pro rata for any applicable withdrawals from the Account by the client during such fiscal year); and (2) (X) the amount, if any, by which (I) the value of the Fixed-Income Investments at the end of such fiscal year, after payment of all Management Fees for such fiscal year then ending, exceeds (II) the value of the Fixed-Income Investments at the beginning of such fiscal year, minus (Y) a 5% hurdle rate (but adjusted pro rata for any applicable withdrawals from the Account by the client during such fiscal year). A performance fee is generally charged on all applicable amounts invested in and withdrawn from the Account during such fiscal year.

## **Types of Clients**

**Yorkville Capital Management** provides portfolio management services of both taxable and non-taxable accounts. YCM provides its services to individuals, high net worth individuals, separately managed vehicles (wrap fee programs), trusts, estates, and/or charitable organizations (including foundations), ERISA plans, pension, profit sharing plans, corporations and/or other business entities.

The Adviser generally requires its clients to maintain minimum assets under management of \$1,000,000 of manageable assets. Exceptions may be made if circumstances warrant, in the Adviser's sole discretion.

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

Investing in securities involves risk of loss that clients should be prepared and able to bear. YCM developed and employs a scientific approach to fundamental research and portfolio risk management designed to enhance success and consistency in the achievement of our investment objectives.

YCM's proprietary risk models automate market driven buy and sell decisions so that we can focus investment resources on our core competency, fundamental research, which drives our investment performance.



## **Idea Generation**

YCM searches across the capital structure and around the globe to identify investment opportunities with above-average return and below and average risk characteristics.

***100 Years of Investing*** YCM's investment team has over 100 years of investing experience. We have lived through many market cycles and witnessed 'Black Swan' events. Over the years, we have invested in thousands of companies operating in virtually every industry. This cumulative body of knowledge forms the foundation of our investment process.

***Investment Pipeline*** YCM's Investment Pipeline model tracks hundreds of companies on which we have conducted fundamental research. It monitors in real time the price movements of these stocks waiting patiently for the stock price to hit our predetermined entry point. It is our belief that the price paid for an asset is the greatest determinant of investment performance.

***Investment Screens*** YCM has developed smart screens that harness our collective investment experience to identify investment opportunities across industries and around the globe that meet or exceed our exacting standards.

***Investment Roundtable*** YCM's research and portfolio personnel have developed a robust network of industry and investment leaders during their respective careers. We capitalize on these connections by hosting a weekly Investment Roundtable to share investment ideas with fellow professionals.

***Global Investment Network*** We have established relationships with a global network of regional broker-dealers. These regional brokers provide YCM with local investment ideas and in-depth market knowledge and keep us apprised of breaking economic news and current political events.

## **Fundamental Research**

YCM is a research organization. Fundamental research is our core-competency. Independent and objective research drives our investment results.

***Financial Analysis*** The first stage of YCM's research process is an in-depth analysis of the company's historical financial statements. We analyze a company's income statements, balance sheets and cash flow statements for the past four years and four quarters. This process allows us to determine the financial health of a company and the direction it is heading.

YCM has developed financial models that pull the raw financial data from a company's regulatory filings, analyze it, and present it in a user-friendly fashion that enables us to efficiently review and identify opportunities or weaknesses.



***Business Model*** The second stage of our research process involves gaining a CEO's understanding of a company's business model by analyzing the drivers of revenue and expenses. Revenues are broken out by product line and geography and the largest and fastest-growing components of a company's revenue stream are identified. These are the future drivers of growth. In a similar fashion, we conduct a detailed analysis of a company's cost structure, identifying its largest and fastest-growing expenses. YCM's in-depth understanding of a company's business model enables us to cut through the market noise and stay focused on the company's fundamental business drivers.

***Competitive Advantage*** In the third stage of YCM's research process, we identify a company's competitive advantage. We talk to industry players, research analysts and management, and analyze major competitors, customers, and the market to identify a company's strengths, weaknesses, opportunities, and threats. YCM's objective is to invest in companies that have a robust business model protected by a defensible "moat". This gives us greater visibility and confidence in the sustainability of earnings and cash flow.

***Financial Modeling*** The fourth stage of our research process is to develop a detailed financial model. We run various scenarios manipulating a company's primary drivers to determine revenue, margin, cash flow, and earnings sensitivity to each. We use financial modeling to estimate a company's future revenue, cash flow, and earnings potential.

***Valuation*** The fifth stage of YCM's research process is valuing a company - that is, determining its intrinsic value. We use a number of valuation techniques to help us arrive at a fair valuation: discounted cash flow, relative valuations, take-out valuations, sum-of-the-parts valuations, break-up value and multiple valuations. These tools help us to determine a fair price to pay for a company. We invest in companies that meet or exceed norms in all four stages of our analysis and are trading below intrinsic value.

***Investment Decision*** The findings and analysis of YCM's five stage investment process are summarized in a research report, whereupon an investment decision is made. New ideas are then vetted through YCM's Investment Committee designed to strengthen the investment process by pooling our collective knowledge and identify the risks of an investment opportunity. The ultimate buy or sell decision is solely the responsibility of the investment professional.

## **Asset Allocation Strategies**

YCM's asset allocation strategies are designed to limit portfolio volatility through structural diversification.



***Risk Guidelines*** Risk guidelines are in place for each of YCM's investment strategies clearly articulating the risk profile of that strategy. The guidelines establish acceptable exposures across countries, sectors, industries and individual positions and place limitations on the risks that can be assumed while pursuing investment performance. They also establish minimum levels of diversification. YCM's risk guidelines are designed to reduce the volatility of our strategies.

***Risk Silos*** Using a proprietary risk management model, YCM measures, monitors and manages risk at the portfolio level across seven risk silos, enforcing the risk guidelines described above. To ensure more objective implementation the monitoring of risk is separated from the investment process. We also report the risk profile of our products across the seven risk silos so that our investors can monitor our compliance with the guidelines.

## **Risk Management Strategies**

YCM's risk management strategies are designed to preserve capital through active risk management. Investment performance is not dependent on what you make, but on what you keep.

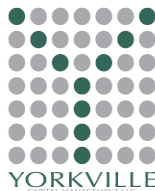
***Target & Trigger Discipline*** YCM's Target and Trigger Model automates sell decisions. The model tracks, in real time, the individual investments in our strategies so as to detect when predetermined target prices are reached. It also establishes a trailing stop loss and monitors when this is triggered. When a target price is reached we generally sell to lock in gains; conversely, when a trigger price is reached we generally sell to stop losses and preserve capital. The monitoring of our sell discipline is separated from the investment process to ensure unbiased implementation.

***Hedging Strategies*** YCM employs hedging strategies in order to preserve capital and limit losses in turbulent markets. We strategically hedge our portfolio by shorting individual securities and tactically hedge our portfolios primarily through the use of Exchange Traded Funds (ETFs). We purchase puts to insure the portfolio against negative market moves and utilize covered calls to increase the portfolio's income.

## **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of **YCM** or the integrity of **YCM's** management. YCM has no information applicable to this Item.





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

Mr. Schuringa also serves as portfolio manager of another registered investment adviser, Yorkville ETF Advisors, LLC (“YETF”), which is not a direct corporate affiliate of Yorkville Capital, but under common control. YETF is the sub-advisor of Yorkville High Income MLP, an exchange traded fund under the Exchange Traded Concepts Trust, for which Mr. Schuringa is also an officer. While Mr. Schuringa manages other accounts, however he does not utilize the same portfolio management techniques or trading processes for his ETF accounts as he does for separately managed accounts. Any perceived conflict of side by side management is mitigated by the following. First of all, the ETF focuses on MLP and royalty trusts, which are types of companies that are not generally included in Mr. Schuringa's other portfolios.

Additionally, Yorkville utilizes an index methodology, thereby not selecting similar stocks. As well, the Index is calculated and administered by Structured Solutions AG, which is independent of Yorkville Capital, the Fund, its investment adviser and Exchange Traded Concepts, LLC (the “Adviser”). Structured Solutions AG determines the components and the relative weightings of the securities in the Index subject to the Index rules and publishes information regarding the Index. Furthermore, for the ETF's, Yorkville utilizes Index Management Solutions, LLC as the “Trading Sub-Adviser” which is an additional mitigant ensuring that trading decisions are made independently and separate from any other accounts managed by Mr. Schuringa.

## **Code of Ethics**

YCM has a fiduciary responsibility to treat clients fairly and avoid actual or potential conflicts of interest. Its Access Persons have an obligation to act solely in the best interests of clients, and to make full and fair disclosure of all material facts, particularly where the clients' interests may conflict with each other. A thorough knowledge and understanding of the YCM's Code by all of the Access Persons assists in promoting a "compliance culture" that is crucial to fulfilling the fiduciary responsibilities of YCM.

In general, the fiduciary principles that govern personal investment activities of Access Persons are, at a minimum, the following: (1) the duty at all times to place the interests of clients first; (2) the requirement that all personal securities transactions be conducted in a manner that is consistent with Rule 204A-1 of the Advisers Act and in such a manner so as to avoid any actual or potential conflict of interest, or any abuse of an individual's position of trust and responsibility; and (3) the fundamental standard that personnel providing services to clients should not take inappropriate advantage of their positions.

It is YCM's policy that all Access Persons conduct themselves in accordance with the highest standards of integrity, honesty and fair dealing. Access Persons are specifically required to understand and comply with all applicable laws, statutes, rules and regulations to which the Advisory Entities are subject.



The Code requires pre-approval prior to an Access Person investing in certain transactions, including initial public offerings and private placements other than those conducted on behalf of clients. In addition, all Access Persons must certify annually that they have read, understand and will abide by the Code.

YCM will provide a copy of the Code to any client or prospective client, upon request.

In making decisions to recommend, purchase, sell and/or hold securities and other investments for all of its client accounts, including affiliated client accounts, YCM's overall objective is to treat each client account in a fair and equitable manner, depending on the particular facts and circumstances and the needs and financial objectives of YCM's various clients, such that allocations are not based upon account performance, applicable fee structures and/or the appearance of otherwise preferential treatment, and tradable position sizes are retained in each portfolio. YCM intend to avoid any action that could result in an unfair or inequitable disadvantage to any client account and/or unfair or inequitable advantage to any proprietary account and/or any client account that is charged performance-based fees.

Based on the foregoing, set forth below are YCM's general policies and procedures regarding the allocation of investments among, and the aggregation of orders placed on behalf of, their clients' accounts.

(i) **Best Execution.** YCM shall aggregate trades, unless it believes that doing so would conflict or otherwise be inconsistent with their duty to seek best execution for their client accounts, and/or the terms of the respective investment advisory contracts and other agreements and understandings relating to the client accounts for which trades are being aggregated. When YCM believes that they can effectively obtain best execution for their client accounts by aggregating trades, including, subject to any policy restrictions set forth in YCM's Code and/or policy regarding insider trading for any client accounts, it generally will do so for all client accounts for which the trades are both suitable and consistent with the respective investment advisory contracts, investment guidelines, and/or other agreements and/or understandings relating to such client accounts, unless:

(a) a client directs YCM to execute a trade through a particular broker-dealer, including, without limitation, a wrap fee program broker, that is not executing the aggregated trade; or

(b) to the extent that YCM otherwise would be prohibited or restricted from aggregating such trades under applicable law and/or by virtue of any agreement, instrument or other document to which the Advisory Entities and/or any of its property is bound.



(ii) **Average Price.** Each client account that participates in an aggregated security order will participate at the average share price for such order on a given business day (although, with respect to option contracts, determining the average price may not be possible), with transaction costs shared pro rata based on each client account's participation, unless otherwise required by contract and/or applicable law. YCM generally shall not favor any account over any other account.

(iii) **Standard Allocation Procedure.** Aggregated orders generally shall be allocated in the following manner: (i) pro rata among all participating client accounts based upon their respective sizes; or (ii) based upon a uniform target percentage holding across all participating client accounts, unless there are limit orders. Each such pro rata and target allocation procedures are sometimes referred to herein as a "Standard Allocation Method".

(iv) **Limit Orders.** Limit orders may be aggregated with market orders based on any Standard Allocation Method. If limit orders cannot be executed, then all other orders (i.e., the market orders) are to be filled only among client accounts submitting market orders and generally based upon the original order size, unless YCM wish to increase the order size in light of unexecutable limit orders, in which case orders will be reallocated using any Standard Allocation Method based upon the respective sizes of the participating client accounts or a new, higher uniform target allocation, as applicable.

(v) **Particular Results.** Although YCM believe that the ability to aggregate orders for client accounts will in general benefit its clients overall over time, in any particular instance, such aggregation may result in a less favorable price or execution for any particular client than might have been obtained if a particular transaction had been effected on a non-aggregated basis.

(vi) **Directed Brokerage, Wrap Fee Program, Etc.** Generally, as noted above, YCM's clients give them full discretion to choose brokers-dealers through whom transactions may be executed. Clients that direct YCM to use a specified broker-dealer, including, without limitation, a wrap fee program broker, should understand that compliance with such directions may result in such accounts not participating in an aggregated order. However, when feasible and when YCM believes it is appropriate, YCM may aggregate orders for directed brokerage, wrap fee program and/or other similarly situated clients (each, a "Directed Brokerage/Wrap Client") with orders for the same securities for other client accounts, and execute such aggregated orders with the broker-dealer that YCM believe will provide the best execution of the aggregated order. In such cases, YCM may use a "step out" transaction if the executing broker is not the broker-dealer for the relevant Directed Brokerage/Wrap Fee Client. A "step out" transaction is one in which YCM instruct the executing broker to "step out" the relevant Directed Brokerage/Wrap Fee Client's portion of the aggregated order to their directed, wrap-fee program or other applicable broker who will clear, settle and confirm the transaction and charge the client the commission rate that it



has negotiated with the client, the wrap fee program sponsor or other applicable party. The executing broker does not receive a commission for that portion of the trade.

(vii) **Special Allocation Method (Use of Different Broker-Dealers).** Orders that cannot be aggregated due to the use of different broker-dealers, including, without limitation, as a result of directed brokerage, wrap fee programs and/or other similar arrangements, shall be divided into two general categories: (i) orders for Directed Brokerage/Wrap Fee Clients; and (ii) all other orders. On any given day, orders in the first category generally will trade after orders in the second category. Within each category, securities first will generally be allocated according to the different broker-dealers through which aggregate orders were placed using a random rotation. Next, for each such order, securities generally will be allocated among the client accounts participating in such order using a Standard Allocation Method or other permissible method described above. YCM believe such methodology is reasonably designed to be fair to all relevant client accounts over time. For the avoidance of doubt, however, YCM may increase or decrease the amount of securities allocated to one or more client accounts if necessary to avoid holding odd-lots or small numbers of shares in a client account.

(viii) **Departures from Allocation Methods.** YCM may employ an allocation method other than an allocation method described above, including, but not limited to, allocating trades based on (1) the amount of available cash in a particular client account and/or other cash flow needs of a particular client account, (2) a uniform target percentage holding across all participating client accounts, or (3) any other method, provided that YCM generally may not depart from using an allocation method described above unless:

- (a) under the circumstances, such other allocation method is reasonable, employed in good faith and generally does not result in an unfair or inequitable disadvantage to any client account;
- (b) YCM specify in writing the reason for the departure on the order ticket/instant message relating to such order; and
- (c) prior to or contemporaneously with entering into any trade, the Portfolio Manager shall prepare a written allocation statement, specifying (i) the participating client accounts, and (ii) the method of allocation.

## **Brokerage Practices**

YCM has the sole power and authority to determine the brokers to be used for each securities transaction for clients. In selecting brokers or dealers to execute transactions, YCM need not solicit competitive bids and do not have an obligation to seek the lowest available commission



cost. In selecting brokers, YCM may or may not negotiate "execution only" commission rates; thus, a client may be deemed to be paying for other services provided by the broker to such client, YCM or their respective affiliates which are included in the commission rate. In negotiating commission rates, YCM will take into account the financial stability and reputation of brokerage firms and the brokerage, research and other services provided by such brokers, although such client may not, in any particular instance, be the direct or indirect beneficiaries of the services provided.

YCM is authorized to direct commissions to certain broker-dealers which may furnish other services to clients, YCM or its respective affiliates, such as investment research, economic consulting services, financial publications and other investment-related services and products.

Accordingly, the client may be deemed to be paying for research and other services with "soft" or commission dollars. Although YCM believes the client will benefit from many of the services obtained with soft dollars generated by their trades, the client will not benefit exclusively. YCM may also derive direct or indirect benefits from some or all of these services, particularly to the extent that YCM uses "soft" or commission dollars to pay for expenses it would otherwise be required to pay itself.

Section 28(e) of the Securities Exchange Act of 1940, as amended, provides a "safe harbor" to investment managers who use commission dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the manager in the performance of investment decision-making responsibilities. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and U.S. Federal law. YCM intend to use commission dollars generated by the clients' brokerage accounts to obtain only such investment research and brokerage services or products as permitted under the safe harbor afforded by Section 28(e).

## **Review of Accounts**

Messrs. Schuringa, Hug and Edelstein (collectively, the "Portfolio Managers") generally will monitor the portfolio holdings on a daily basis. The Portfolio Managers will also generally perform formal reviews of portfolio compliance on a monthly basis and allocations of each client on a quarterly basis.

## **Client Referrals and Other Compensation**

YCM currently does not (nor in the past has) directly or indirectly compensate any person for client referrals.



## **Custody**

YCM does not maintain custody of client accounts, who otherwise select their own custodian. Managed Account clients will generally receive: (i) a quarterly statement of the client's Managed Account, together with a report from the Adviser discussing the performance of the Managed Account for the fiscal quarter just ended; and (ii) monthly account statements from the Adviser's qualified custodian, identifying the amount of funds and each security in the account at the end of the month and setting forth all transactions in the account during that period.

## **Investment Discretion**

YCM has the sole power and authority, without obtaining specific client consent, to research, select and monitor the investments and make decisions as to when and how much to invest with or withdraw from a particular investment on behalf of each client, subject to stated client objectives.

Investment guidelines and restrictions must be provided to YCM in writing.

## **Voting Client Securities**

YCM vote, on behalf of clients, proxy proposals, amendments, consents or resolutions (collectively, "proxies") in a manner that seek to serve the best interests of such client. In general, YCM seek to resolve any potential conflicts of interests associated with any proxy by promptly disclosing the conflict and obtaining written consent before exercising any proxy voting authority, or in the alternative, by applying the general policy of seeking to serve the best interests of each client.

Generally, each proxy issue will be considered by YCM on a case-by-case basis; however, YCM have specific guidelines addressing how they votes proxies with regard to routine matters (which generally means that such matters will not measurably change the structure, management, control or operation of the company and such guidelines are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company).

Upon request, you may contact YCM during regular business hours, via email or telephone, to obtain a copy of YCM's proxy voting policy.

## **Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about **YCM's** financial condition. **YCM** has no financial



commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Requirements for State-Registered Advisers**

The following individuals are the principal executive officers and managements persons of the Advisor:

- ***Darren R. Schuringa***: Portfolio Manager and Investment Analyst of the Advisor
- ***James A. Hug***: Portfolio Manager and Investment Analyst of the Advisor
- ***Leonard Edelstein***: Portfolio Manager and Investment Analyst of the Advisor

Information regarding the formal education and business background for each of these individuals is provided in the subsequent section entitled “Part 2B of Form ADV: Brochure Supplement”.