

## **Upwelling Capital Group LLC Part 2A of Form ADV The Brochure**

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**October 23, 2014**

**This brochure provides information about the qualifications and business practices of Upwelling Capital Group LLC (“Upwelling” or “Adviser”). If you have any questions about the contents of this brochure, please contact us at (530) 758-9888 and/or email: [info@upwellingcapital.com](mailto:info@upwellingcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**Upwelling is seeking to register as an investment adviser with the state of California. Registration does not imply a certain level of skill or training.**

## **Item 2. Material Changes**

Upwelling Capital Group LLC is providing this information as part of its switching registrations from the SEC to the state of California.

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## **Item 4. Advisory Business**

### **General Description of the Adviser**

Upwelling Capital Group LLC (“Upwelling”) is a California limited liability company that was formed in April 2011 and registered with the Securities and Exchange Commission in 2013. It now seeks to be registered with the state of California. Upwelling is wholly owned by its managing member, Joncarlo R. Mark.

### **Description of Advisory Services**

Upwelling is an investment consultant with comprehensive institutional knowledge in the areas of private equity and alternative asset management. Upwelling provides customized strategies and solutions to enhance the overall returns for premier alternative investors. Upwelling’s services are provided in three main business lines: (1) strategy consulting services, (2) non-discretionary investment advisory services, and (3) discretionary asset management services. These services are described below:

#### ***Strategy Consulting Services:***

- Investment strategy review
- Alternative investment portfolio health assessment and performance attribution analysis
- Client organizational and operational assessment
- Market intelligence and market positioning
- Guidance on structuring strategic relationships and separate accounts
- Independent asset evaluations

#### ***Non-Discretionary Investment Advisory Services:***

- Due diligence services
- Qualitative and quantitative assessment of specific investment fund managers
- Advice on optimal, value-maximizing partnership restructurings and guidance on portfolio rebalancings
- Comprehensive, active portfolio monitoring and investment manager oversight
- Legacy portfolio solutions
- End-of-life fund dissolution and asset monetization
- Fund recapitalizations

- Follow-on investment evaluation and recommendations
- Limited Partner (LP) Advisory Board representation
- Sourcing, analyzing and executing primary, secondary and direct investments

***Discretionary Asset Management Services:***

- Direct management of underperforming assets or acting as general partner replacements
- Separate account management for funds and direct investments
- Private equity, opportunistic credit, direct private lending and infrastructure specialization

Upwelling also provides pension consulting services on a nondiscretionary and discretionary bases. Our goal is to help plan administrators and participants select a diverse set of low-cost investment options to offer in their retirement plan, and to help plan participants invest their retirement accounts optimally. Upwelling seeks to recommend the lowest cost investment options that will give plan participants exposure to a broad mix of asset classes. It seeks to develop long-term relationships with major institutional investors and pension plans, among others, which may include a variety of services ranging from discretionary asset management to nondiscretionary investment advisory and consulting services. Upwelling's pension consulting services are intended to provide flexible resources for institutional investors and pension plans that may supplement their internal capabilities related to key corporate governance issues, research and due diligence activities, and active investments based on long-term company engagements.

Other areas Upwelling also hopes to expand its business to include assisting clients in selecting other financial advisers that present strategies that are beneficial to individual clients' overall portfolio and acting as an investment adviser and portfolio manager to private funds. However, currently Upwelling does not act in either of those capacities.

**Availability of Tailored Services for Individual Needs of Clients**

Upwelling seeks to establish a consultative relationship with its clients. Many of its services will be tailored to the specific needs and objectives of our clients. For clients who enter into an investment management agreement with Upwelling, the arrangement will be managed based on the specific investment objectives and strategies established by Upwelling and its clients.

**Wrap Fee Programs**

Upwelling does not participate in or advise any wrap fee programs.

**Regulatory Assets Under Management**

Upwelling has approximately \$8 million regulatory assets under management as of June 30, 2014.

## **Item 5. Fees and Compensation**

### **Strategy Consulting Services**

Upwelling acts a traditional investment consultant advising clients on their portfolio allocation, market positioning, strategic relationships, portfolio construction, manager due diligence, and on-going performance and manager monitoring. All of these services are generally bundled into a retainer relationship but may also be structured on an hourly fee based on the complexity of the clients' needs.

In addition, Upwelling may enter into an agreement with a client to perform one or more services on a project or one-time basis.

For clients on a retainer service, fees are due and payable on a monthly or quarterly basis and are payable in arrears.

### **Advisory Services/Asset Management Services**

For both discretionary and non-discretionary investment advisory and asset management services, the manner in which management fees are charged is established in the client's investment management agreement with Upwelling. Client consulting fees fall within the range of \$75.00 to \$500.00 per hour, as negotiated between Upwelling and the client. Depending on the circumstances, Upwelling may charge different fee structures, such as flat fees, asset-based fees, liquidation fees and/or performance fees. Upwelling may deduct fees from client accounts, call capital to fund required fees and expenses, or bill clients for such fees, all as stated in a client's investment management agreement.

Performance-based fees for managed accounts are generally set forth in the applicable investment management agreement and such performance-based fees for funds are set forth in the fund's operating agreements. Upwelling's compensation is negotiable and varies, but typically for advisory services it charges and annual fee of approximately 2.0% of assets under management, and typically receives a performance fee equal to 20% of net profits of the account (including both realized and unrealized gains and losses. Performance allocations and fees are assessed in arrears on an annual basis and on withdrawal of funds during the year with respect to the amount withdrawn, and are only applied to the portion of profits that exceed the cumulative losses previously allocated to or incurred by clients. Upwelling complies with California Code of Regulations section 260.234, as required. Performance allocations and fees may create an incentive for Upwelling to make more risky and speculative investments than it would otherwise make.

Management fees are generally paid monthly or quarterly in advance. Upon redemption or termination of an advisory relationship, Upwelling will refund unearned fees. If management fees are charged in arrears for a particular client, Upwelling will prorate fees so that the client is charged only for the actual period of time that Upwelling provided advisory services.

The foregoing fees and allocations are negotiable and may be reduced or waived in

certain circumstances, including with respect to investors that are employees of Upwelling and other persons affiliated with Upwelling and its affiliates.

### **Other Expenses**

Unless investment consulting fees are designed to be all-inclusive, clients pay for travel expenses incurred in connection with investment due diligence, expenses for research-related services and products and expenses related to attendance by Upwelling personnel at general partner annual meetings, portfolio company meetings, investment conferences and other programs.

In addition, for discretionary and non-discretionary advisory and asset management services, the manner in which expenses are charged is established in the client's investment management agreement with Upwelling. Clients are generally responsible for all of the transaction expenses, administrative, custody, legal (including blue sky compliance), tax preparation, accounting, extraordinary insurance and any other expenses associated with their funds and managed accounts.

### **Prepayment of Fees**

Clients may pay Upwelling's fees in advance. The client's obligation to pay fees ceases upon the termination of the client's agreement or, in the case of a fund that includes a performance fee, the final distributions from the fund.

### **Additional Compensation and Conflicts of Interest**

Neither Upwelling nor any of its supervised persons accepts compensation for the sale of securities or other investment products. Lower fees for comparable services may be available from other sources.

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

Upwelling may be party to investment advisory and investment management agreements that provide for different fee structures, such as flat fees, asset-based fees, liquidation fees and performance fees, and, as a result, conflicts of interest could arise with respect to management of accounts for clients. For those clients that qualify and elect to pay a performance fee, the fee is generally a percentage of the profits earned, sometimes only after a certain minimum return has been achieved. Clients should review the relevant fee agreement for details about how those fees are charged.

Performance fees may create an incentive for Upwelling to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. In addition, Upwelling may face a conflict of interest in managing a number of funds and managed accounts at the same time because Upwelling may have an incentive to favor funds for which it receives a performance allocation over a managed account for which it does not or to favor one fund over another fund if Upwelling receives a higher performance allocation from one fund than another. Upwelling will seek to address this conflict of interest through its trade

allocation policies and procedures, which generally require that portfolio managers and traders seek to allocate investment opportunities among funds and other client accounts pro rata to the available uncommitted or invested capital remaining in the funds and separate accounts, subject to concentration limits, geographic limits and other constraints that may apply to the portfolio construction of any given fund or separate account.

#### **Item 7. Types of Clients**

Upwelling intends to provide investment advice to financial institutions, family offices, endowments and foundations, corporate pension plans, public pension plans, sovereign wealth funds, governmental entities and private investment funds, including fund-of-funds and secondary funds.

Upwelling does not have a minimum account size for a client relationship. The conditions for starting and maintaining a separate account or fund will vary with the circumstances of each such arrangement and will be negotiated and set forth on an individual basis in the relevant separate account agreement or fund operating agreements.

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

Upwelling is a consulting, investment advisory and investment management firm that specializes in helping institutional investors build and maximize the value of their alternative investment portfolios. The team has significant expertise in private equity, private debt, infrastructure, and clean energy as both fund and direct investments on a global basis. Upwelling provides comprehensive consulting services, investment advisory and asset management services, including strategy development, portfolio construction support, active portfolio monitoring, partnership/direct asset restructuring, and investment sourcing, due diligence and transaction services. Upwelling offers investment management services on both a discretionary and non-discretionary basis.

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

Upwelling's capabilities include top down analysis for 1) identifying portfolio risk, 2) conducting performance attribution, and 3) constructing an optimal alternative investment portfolio. In addition, Upwelling performs thorough bottom up monitoring and due diligence on our clients' current and prospective managers and direct investments. Last, our firm is constantly developing alternative investment market intelligence that allows us to identify broad factors that lead to improved investment sourcing and decision-making.

Each account and fund managed by Upwelling has specific investment guidelines and strategies, which are set forth in the respective account and fund agreements. The accounts and funds may include some or all of the elements of the investment strategies described below.

#### **Primary Investments**

Primary investments refer to those made in private capital partnerships or investment vehicles that invest directly into operating companies. Upwelling's due diligence process for primary investments focuses on a wide variety of factors and emphasizes achieving an attractive

absolute investment return within an appropriate risk framework. We believe that risk characteristics vary significantly between alternative investments strategies in addition to those associated with more conventional asset classes.

Upwelling's due diligence process consists of both quantitative and qualitative factors, particularly focused on manager incentives and partnership dynamics as well as the fundamental financial components of the underlying portfolio companies. Upwelling has developed a consistent, thorough fund evaluation process in which we focus on the key factors that provide evidence on the general partner's ability to source and select the best investments. Upwelling also analyzes a given manager's accomplishments in providing strategic value to their portfolio companies. This includes instilling appropriate corporate governance and establishing management milestones that contribute to a stronger, more competitive, sustainable and shareholder-aligned business.

Upwelling summarizes the conclusion of the analysis in a final investment report that identifies the merits and risks of the opportunity, supported by details of our quantitative and qualitative analysis.

Upwelling seeks to prudently diversify primary investments by sub-asset strategy, which may include buyout, growth, venture capital, credit, real assets, and special situation (turnaround, specialty, non-traditional) funds. In addition Upwelling looks to diversify geography exposure (North America, Latin America Europe and Asia) and vintage year, all subject to the investment parameters established in the relevant client contracts.

## **Secondary Investments**

Secondary investments refer to limited partner interests in private equity funds that are purchased from existing investors in the funds. Secondary investments may also include direct investments into companies in which a single or group of shareholders decides to sell their equity stake. In the case of a potential fund secondary purchase, Upwelling performs a thorough analysis of each portfolio company, evaluating the fundamental financial performance and carrying value of each company as determined by the general partner. Several methodologies are used to determine whether such valuations are conservative or aggressive, including comparable private and public company values, discounted cash flow analysis and historical merger and acquisition benchmarks. In addition, Upwelling develops sensitivity models that provide insight on the impact of possible portfolio activities on the remaining partnership investment returns. This is based on the timing and potential amounts of expected cash flows of the entire fund as they run through the partnership capital distribution waterfall. Ultimately, an offer price for the limited partner's interest may be presented to one or more limited partners, taking into consideration a variety of factors that either accrete or erode future value.

## **Co-investments**

Co-investments refer to investments in operating companies together with one or more other private equity funds. Upwelling seeks to achieve substantial capital appreciation through co-investments in operating and financial companies in leveraged buyouts, recapitalizations and



growth equity financings. Upwelling may also provide credit underwriting advice in connection with debt transactions. Upwelling also seeks to diversify co-investments by investing over a multi-year period and in different geographical regions.

Due diligence on co-investment opportunities begins with a review of the investment opportunity as provided by the lead sponsor and may include some or all of the following: (i) meeting and interviewing management or company personnel, (ii) meetings and discussions with the lead sponsor and review of materials the lead sponsor has developed to evaluate the investment and (iii) engagement of legal, tax and accounting advisors when appropriate. Upwelling also conducts industry and competitive analysis and a risk analysis on the investment opportunities. Opportunities that pass the initial screening process undergo a financial and valuation review using both the lead sponsor's and Upwelling's financial models. A detailed view of the company's financial structure and investment return projections are normally assembled at this stage as well.

Upwelling may perform a monitoring function at the company board of director level. The monitoring function is conducted by an investment professional holding a seat on the company's board of directors, exercising board observation rights or regularly conferring with the lead private equity sponsor of the company.

### **Legacy Portfolio Solutions**

Upwelling provides asset management services for legacy alternative investment portfolios. This includes oversight and active management of an investor's funds and direct investments. In summary, our service includes:

- Represent a single limited partner or group of limited partners or LP Advisory Committee on all actionable governance matters
- Perform a comprehensive partnership health assessment, including company by company evaluations and forecasting a range of estimated future capital requirements
- Provide guidance on portfolio rebalancing strategies and assist in managing a secondary sale or purchase process
- Identify and advise on optimal value-maximizing partnership restructurings
- Recommend or execute fund or direct investment "follow-on" transactions
- If necessary, find replacement fund managers or assume the fund management role
- Monetize in-kind distributions of illiquid assets

### **Investment Risks**

The risks associated with the investment advice we provide include the risks of investing in the securities markets in general and in complicated investment products specifically. Investing in securities involves a risk of loss that each client must be prepared to bear.

Some of the risks that clients may expect include the following:

### **Identification and Availability of Investment Opportunities**

The success of the funds and separate accounts managed by the Upwelling depends on the identification and availability of suitable investment opportunities. The availability of investment opportunities will be subject to market conditions and other factors outside the control of Upwelling. Past returns of funds and separate accounts managed by Upwelling or its personnel may have benefited from investment opportunities and general market conditions that may not reoccur, including favorable borrowing conditions in the debt markets, and there can be no assurance that underlying funds will be able to avail themselves of comparable opportunities and conditions. There can be no assurance that the underlying funds will be able to identify sufficient attractive investment opportunities to meet their investment objectives. An investment in private equity should only be considered by persons who can afford a loss of their entire investment.

### **Illiquid Investments**

The underlying funds and co-investments selected by Upwelling may be illiquid, long-term investments. Clients should not expect to be able to transfer their interests in, or to withdraw from, the underlying funds or funds managed by Upwelling easily or without restriction. In addition, the investments of the underlying funds generally will be investments for which no liquid market exists or will be subject to legal or other restrictions on transfer. Underlying funds may face reduced opportunities to exit and realize value from their investments in the event of a general market downturn or a specific market dislocation. As a consequence, an underlying fund may not be able to sell its investments when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Furthermore, under certain circumstances, distributions may be made by the underlying funds to limited partners in kind and could consist of securities for which there is no readily available market.

### **Leverage**

Underlying funds may employ leverage in connection with certain investments. Leverage generally magnifies a fund's opportunities for gain and its risk of loss from its investment activities. In addition, the portfolio companies of the underlying funds are typically leveraged, which will cause them to be adversely affected by increases in interest rates and may make them less able to cope with changes in business and economic conditions.

### **Risks Associated with Portfolio of Funds**

The portfolio companies in which the underlying funds have invested or may invest may involve a high degree of business and financial risk. These companies may be in an early stage of development, may not have a proven operating history, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive

position, may have a high level of leverage, or may otherwise have a weak financial condition. In addition, these portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel. Portfolio companies in non-U.S. jurisdictions may be subject to additional risks, including changes in currency exchange rates, exchange control regulations, risks associated with different types (and lower quality) of available information, expropriation or confiscatory taxation and adverse political developments. In addition, during periods of difficult market conditions or slowdowns in a particular investment category, industry or region, portfolio companies may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased costs. During these periods, these companies may also have difficulty in expanding their businesses and operations and may be unable to pay their expenses as they become due. A general market downturn or a specific market dislocation may result in lower investment returns for the underlying funds in which a client invests, which would adversely affect investment returns.

### **Non-U.S Investments**

Depending upon the investment strategy of a particular fund or separate account, Upwelling may make investments outside of the United States, including in emerging markets. Generally, investments in non-U.S. markets may have risks associated with political and regulatory changes, lack of governance controls, changing economic conditions, legal and tax regulations, foreign currency and exchange markets, changes in or differing accounting standards, lack of liquidity or volume in emerging markets, reliance on local intermediaries and restrictions on the repatriation of capital and profits.

### **Investments by Upwelling's Clients**

Upwelling may have multiple clients invested in any given underlying fund. In addition, Upwelling's clients may have investments, either directly or indirectly, in an underlying portfolio company in which a different client has an investment through a different class of security. As a result, conflicts may arise between the interests of Upwelling's clients. For example, if such portfolio company goes into bankruptcy, becomes insolvent or is otherwise unable to meet its payment obligations or comply with its debt covenants, conflicts of interest could arise between holders of different types of securities as to what actions the portfolio company should take.

### **Item 9. Disciplinary Information**

Investment advisers are required to disclose legal or disciplinary events that are material to a client's or prospective client's evaluation of Upwelling's advisory business or the integrity of its management. Upwelling has determined that it has no reportable events that meet this reporting requirement.

### **Item 10. Other Financial Industry Activities and Affiliations**

Neither Upwelling nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures

commission merchant (“FCM”), commodity pool operator (“CPO”) or commodity trading advisor (“CTA”). In addition, neither Upwelling nor any of its management persons is an associated person of an FCM, a CPO or CTA.

Upwelling does not have any relationship or arrangement with related persons, as defined in the instructions. Upwelling may recommend or select other investment advisers for its clients, although Upwelling does not receive compensation from such investment advisers for referring clients to such advisors or their products. Upwelling bases those recommendations based on the best interests of the individual client taking into account their particular investment goals. Upwelling ensures that before recommending or selecting other advisers for clients, such advisers are properly licensed or registered investment advisers.

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

### **Code of Ethics**

Upwelling has adopted a Code of Ethics (“Code”) that describes the standards of business conduct that it requires of employees and accounts owned predominantly by persons associated with Upwelling, and establishes procedures intended to prevent Upwelling, and its personnel and certain of their relatives, from inappropriately benefiting from Upwelling’s relationships with its clients. The Code provides:

- Upwelling’s clients’ interests come before Upwelling’s or employees’ interests;
- Upwelling must disclose to clients all material facts about conflicts of which it is aware between Upwelling’s and its employees’ interests on the one hand and clients’ interests on the other;
- Employees must operate on Upwelling’s and their own behalf consistently with Upwelling’s disclosures to and arrangements with clients regarding conflicts and its efforts to manage the impacts of those conflicts;
- Upwelling and its employees must not take inappropriate advantage of Upwelling’s clients or their positions of trust with or responsibility to clients; and
- Upwelling and its employees must comply with all applicable securities laws.

The Code requires employees to report personal securities holdings on an annual basis.

In addition, Upwelling all employees’ securities transactions. The Code includes procedures for and restrictions on employee trading intended to prevent employees from benefiting from, or appearing to benefit from, any price movement that may be caused by client transactions. The Code also contains restrictions on and procedures to prevent inappropriate trading while Upwelling is in possession of material nonpublic information.

Upwelling will provide a copy of its Code of Ethics to any client or prospective client upon request. A request may be made by submitting a written request to Upwelling at the address on the cover page to this brochure.

### **Participation or Interest in Client Transactions**

Neither Upwelling nor its officers, partners, directors, or employees may recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest (this may include, among other things, buying securities from or selling securities to clients; soliciting client investments in a partnership in which they act as general partner; or acting as an investment adviser to an investment company or other pooled investment vehicle that they recommend to clients). This involves a conflict of interest. As such, Upwelling prohibits its employees and related persons from engaging in these types of transactions.

### **Personal Securities Transactions**

Upwelling, its officers, partners, directors, and employees may:

- Invest in the same in the same securities (or related securities such as warrants, options or futures) that they recommend to clients. This involves a conflict of interest because they will have an incentive to prefer their own interests. Upwelling addresses this conflict by requiring employees to sign and adhere to Upwelling's Code of Ethics and to report personal securities holdings and transactions to Upwelling.
- Recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that they buy or sell the same security for their own account. This involves a conflict of interest because they will have an incentive to execute orders in front of their clients. Upwelling addresses this conflict by requiring employees to sign and adhere to Upwelling's Code of Ethics and to report personal securities holdings and transactions to Upwelling.

Upwelling keeps records of reports and other information that access persons are required to provide under the Code. Clients and prospective clients can obtain a copy of the Code upon request by contacting Upwelling by telephone (530) 758-9888 or by email: [info@upwellingcapital.com](mailto:info@upwellingcapital.com).

### **Item 12. Brokerage Practices**

#### **Selecting or Recommending Broker-Dealers for Client Transactions.**

Upwelling's advisory services generally will not require the use of a broker-dealer. On certain occasions, however, an investment held by a fund or separate account will require Upwelling to select a broker-dealer to execute a transaction. In such cases, Upwelling will select a broker-dealer capable of providing best execution for the transaction. In general, best execution involves a number of quantitative and qualitative factors. In seeking best execution, Upwelling need not solicit competitive bids and does not have an obligation to seek or pay the lowest available commission cost. In selecting a broker, the firm may take into account, among other things, the broker's commission rate, execution capabilities, actual experience, efficiency, promptness, financial stability, reputation, confidentiality, and research services provided by the broker.

## **Research and Other Soft Dollar Benefits**

Upwelling does not utilize soft dollars in any way in connection with its business.

## **Brokerage for Client Referrals**

Upwelling does not direct brokerage business to third parties in exchange for client referrals.

## **Directed Brokerage**

In the situation where a client directs Upwelling to use a specific broker and the firm has not negotiated the terms and conditions (including, but not limited to, commission rates), Upwelling does not have any responsibility for obtaining the best prices or particular commission rates. Clients who direct Upwelling to use a specific broker may pay higher commission rates or receive less favorable execution transactions than non-directing clients.

## **Order Aggregation**

When available and appropriate under the circumstances, Upwelling may bunch or aggregate trades for clients. Clients will receive the average price obtained in the bunched or aggregated trade.

## **Item 13. Review of Accounts**

The nature and frequency of Upwelling's review of client accounts depends on the client need and nature of the services offered. Accounts reviewed on a consulting basis are reviewed as required by the applicable consulting agreement by the consultant assigned to the project.

When managing separate investment accounts and funds for its clients, Upwelling engages in periodic reviews of the portfolio and ensures the investment activities are consistent with the objectives established in the applicable investment management agreement or fund operating agreement. This review includes a high level of communication with the client(s) to solicit their feedback and address any questions they may have. The reviews include a focus on portfolio diversification by strategy and vintage year as well as the identification of ancillary benefits for the client.

Upwelling generally provides written quarterly, semi-annual and annual reports to clients. The level of detail in the reports varies according to client specifications. Upwelling also provides updates on special situations requiring client action or attention, such as certain amendments to partnership agreements. Information contained within these reports is obtained from periodic reports and financial statements of the underlying investments. Upwelling's reports include quantitative and qualitative analysis of individual investments and the portfolio as a whole. All transactions affecting client investments, including capital calls, distributions of cash or securities, and changes to portfolio valuations, are recorded promptly in an investment transaction database by the investment monitoring staff. This data is reconciled monthly with information provided by clients' custodian banks and quarterly with financial information provided by fund managers prior to being incorporated into client

reports. All accounting and performance information is reviewed by Upwelling personnel who have responsibility for overseeing investment monitoring and client reporting functions, prior to distribution of reports to clients.

#### **Item 14. Client Referrals and Other Compensation**

Upwelling does not receive an economic benefit from any person who is not a client for providing investment advice or other advisory services and does not expect to compensate any person for client referrals.

#### **Item 15. Custody**

Upwelling has custody of client funds and securities solely as a consequence of its authority to make withdrawals from client accounts to pay its advisory fee. Upwelling has written authorization from clients to deduct advisory fees from the clients' accounts held with the qualified custodian. Each time a fee is directly deducted from a client account, Upwelling concurrently sends the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account and sends the client an invoice itemizing the fee which includes the formula used to calculate the fee, the values of the assets under management on which the fee is based, and the time period covered by the fee.

#### **Item 16. Investment Discretion**

Upwelling provides investment advisory services on a discretionary basis to clients. Clients typically place limitations on this authority in applicable fund or managed account agreements. For funds, this discretionary authority is generally granted to Upwelling pursuant to the organizational documents of each fund and/or pursuant to Upwelling's investment management agreement with such fund. In the case of managed accounts, Upwelling is granted discretionary authority in the managed account agreements. In all cases, Upwelling is obligated to exercise its investment discretion in a manner consistent with the stated investment objectives, policies, guidelines, and restrictions/limitations for a particular client account.

#### **Item 17. Voting Client Securities**

If a client has not delegated the power to vote proxies on its behalf with respect to investments in its accounts, that client may direct Upwelling to vote proxies in a particular manner at any time upon written notice to Upwelling. In those circumstances, Upwelling will comply with the client's specific directions, whether or not such directions differ from Upwelling's general policies and procedures. In instances where Upwelling does not have authority to vote proxies on behalf of clients, it is the responsibility of the client to instruct the relevant party or parties, which may include a fund sponsor or relevant custodian bank or banks or prime broker to mail voting proxies directly to such client.

To the extent matters arise that call for a vote or consent of the investors in a private fund or portfolio company of a fund for whom Upwelling has discretionary authority, Upwelling will exercise the voting rights on behalf of the client or fund in question. Upwelling has adopted a policy governing the voting of proxies that is designed to ensure that Upwelling votes client securities in the best interests of its clients. Upwelling votes the securities held on behalf of

its clients and otherwise acts as a proxy or representative of the clients in respect thereto in its reasonable discretion. Upwelling will seek to resolve any actual or apparent conflict of interest between the interests of Upwelling and its clients in a manner that is consistent with the best interests of the clients and in a manner not affected by such actual or apparent conflict of interest.

Clients may obtain a copy of these proxy voting policies, obtain information about how Upwelling has voted its clients' proxies or discuss any particular solicitation by calling (530) 758-9888.

## **Item 18. Financial Information**

Upwelling does not require or solicit prepayment of any advisory fees more than six months in advance. As a result, Upwelling is not required to provide a balance sheet for its most recent fiscal year. Upwelling is unaware of any financial condition that is reasonably likely to impair its ability to meet its commitments to its clients. Upwelling has not been the subject of a bankruptcy petition during the past 10 years.

## **Item 19. Requirements for State-Registered Advisers**

### **Principal Executive Officers and Management Persons**

Joncarlo Mark is Upwelling's sole owner and managing member. For information about Joncarlo Mark's formal education and business background, see the *Upwelling Brochure Supplement for Joncarlo Mark* (included at the end of this brochure).

### **Other Business Activities**

Upwelling is not actively engaged in any business other than giving investment advice.

### **Performance-Based Compensation**

In addition to the management fees identified in "Item 5 – Fees and Compensation" above, Upwelling is compensated for advisory services with performance-based fees (in the form of an allocation) as described in "Item 5 – Fees and Compensation" and "Item 6 – Performance-Based Fees and Side-By-Side Management." Please refer to "Item 5 – Fees and Compensation" for a description of how the performance-based allocation is calculated. Performance-based compensation provisions may create an incentive for Upwelling to make investments that are riskier or more speculative than would be the case in the absence of special allocations to Upwelling based on performance. Notwithstanding this potential incentive, Upwelling will evaluate investments in a manner that it considers to be in the best interest of the client, given that client's investment objectives, investment strategies, suitability of the investment, and the client's risk profile.

### **Additional Disclosure Events**

None.



**Relationships with Securities Issuers**

Upwelling does not have any relationship or arrangement with securities issuers

## **Privacy Policy**

Upwelling:

- collects non-public personal information about their clients and investors from the following sources:
  - information received from clients or investors on applications or other forms, and
  - information about clients' or investors' transactions with Upwelling, its affiliates or others;
- does not disclose any non-public personal information about their clients or investors or former clients or investors to anyone, except as 1) permitted or required by law or 2) to affiliates of Upwelling and/or their agents who need to know this information in order to perform services on the client's behalf;
- restrict access to non-public personal information about their clients and investors to their employees who need to know that information to provide services to clients; and
- maintain physical, electronic and procedural safeguards that comply with federal standards to guard clients' and investors' personal information.

## **Upwelling Capital Group LLC Part 2B of Form ADV**

**Joncarlo Mark**

**117 D Street Davis, CA 95616 (530) 758-9888  
www.upwellingcapital.com**

**October 23, 2014**

**This brochure provides information about the qualifications and business practices of Upwelling Capital Group LLC (“Upwelling” or “Adviser”). If you have any questions about the contents of this brochure, please contact us at (530) 758- 9888 and/or email: [info@upwellingcapital.com](mailto:info@upwellingcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**Upwelling is seeking to register as an investment adviser with the state of California. Registration does not imply a certain level of skill or training.**

## **2. Educational Background and Business Expertise**

**Name:** Joncarlo Mark, Managing Member and Chief Compliance Officer

**Year of Birth:** 1970

**Education:** MBA, UC Davis (2000); BA, UC San Diego (1992)

### **Business Experience:**

**2011-Current** Founder and Managing Member, Upwelling Capital Group LLC

**1999-2011** Senior Portfolio Manager, California Public Employees Retirement System (CalPERS)

## **3. Disciplinary Information**

Joncarlo Mark has no legal or disciplinary events applicable to this Item.

## **4. Other Business Activities**

This Item is not applicable.

## **5. Additional Compensation**

This Item is not applicable.

## **6. Supervision**

Joncarlo Mark, Managing Member and Chief Compliance Officer, monitors the investment activities, personal investing activities, and adherence to the Adviser's compliance program and Code of Ethics of the Adviser's supervised persons on a continuous basis using various methods, including periodic inspection and review of client securities positions and transaction activity, obtaining certifications of compliance with company policies and procedures from those supervised, and obtaining and reviewing brokerage statements or transactions and holdings reports of the supervised persons.

## **7. Requirements for State-Registered Investment Advisers**

In addition to the events required to be listed in “Item 3 – Disciplinary Information” of this brochure supplement (above), state-registered investment advisers are required to disclose if a representative has been involved in any of a list of specified events, such as being found liable in certain enumerated arbitration claims, being found civilly liable in certain enumerated civil or administrative proceedings, or being the subject of a bankruptcy petition. Mr. Mark has not been involved in any of the events required to be disclosed in this item. Mr. Mark has not been found liable in any of the enumerated arbitration claims, civil litigation proceedings, or administrative proceedings. Additionally, Mr. Mark has not been the subject of a bankruptcy petition.