

## **ADVANTAGE CAPITAL MANAGEMENT CORPORATION**

909 Poydras Street

Suite 2230

New Orleans, Louisiana 70112

504-522-4850

504-522-4950 fax

[www.advantagecap.com](http://www.advantagecap.com)

### **Part 2 of Form ADV Brochure**

September 11, 2014

This brochure provides information about the qualifications and business practices of Advantage Capital Management Corporation (“ACMC”). If you have any questions about the contents of this brochure, please contact Michael T. Johnson, Chief Compliance Officer, at 504-522-4850 or at [mjohnson@advantagecap.com](mailto:mjohnson@advantagecap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

ACMC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration of an investment adviser does not imply any level of skill or training. Additional information about ACMC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Not Applicable; ACMC is a newly formed adviser registering with the SEC for the first time. In the future, when ACMC amends this Brochure, it will identify and describe any material changes on this page.

### **Item 3. Table of Contents**

<b>Item 1</b>	<b>Cover Page.....</b>	<b>1</b>
<b>Item 2</b>	<b>Material Changes.....</b>	<b>2</b>
<b>Item 3</b>	<b>Table of Contents.....</b>	<b>3</b>
<b>Item 4</b>	<b>Advisory Business.....</b>	<b>4</b>
<b>Item 5</b>	<b>Fees and Compensation.....</b>	<b>7</b>
<b>Item 6</b>	<b>Performance-Based Fees and Side-by-Side Management.....</b>	<b>8</b>
<b>Item 7</b>	<b>Types of Clients.....</b>	<b>9</b>
<b>Item 8</b>	<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>10</b>
<b>Item 9</b>	<b>Disciplinary Information.....</b>	<b>12</b>
<b>Item 10</b>	<b>Other Financial Industry Activities and Affiliations.....</b>	<b>12</b>
<b>Item 11</b>	<b>Code of Ethics, Participation or Interest in Client Transactions And Personal Trading.....</b>	<b>13</b>
<b>Item 12</b>	<b>Brokerage Practices.....</b>	<b>14</b>
<b>Item 13</b>	<b>Review of Accounts.....</b>	<b>15</b>
<b>Item 14</b>	<b>Client Referrals and Other Compensation.....</b>	<b>15</b>
<b>Item 15</b>	<b>Custody.....</b>	<b>15</b>
<b>Item 16</b>	<b>Investment Discretion.....</b>	<b>16</b>
<b>Item 17</b>	<b>Voting Client Securities.....</b>	<b>16</b>
<b>Item 18</b>	<b>Financial Information.....</b>	<b>17</b>

## **Item 4. Advisory Business**

### **General**

Since the early 1990s, ACMC and its affiliates, which operate under the names Advantage Capital and Advantage Capital Partners (ACMC and its affiliates are collectively referred to herein as “Advantage Capital” or “ACP”), have utilized public-private partnerships with state and federal economic development organizations to bring investment capital to communities that are underserved by traditional capital providers. Using tax credits offered under the federal and state New Markets Tax Credit Programs (the “NMTC Programs”) and other state sponsored investment programs (“State Programs”), ACP has partnered with some of the nation’s leading insurance companies and commercial banks to create proprietary accounts that target investments to these areas. Two such proprietary accounts, which operate under the BizCapital brand, use funds provided through the NMTC Programs to make small business loans, many of which are guaranteed by the U.S. Small Business Administration (7(a) loan guarantee program) or the U.S. Department of Agriculture (B&I loan guarantee program). To date, ACP has invested over \$1.7 billion in small to mid-sized businesses through its proprietary accounts. See Item 10 “Other Financial Industry Activities and Affiliations” for more information.

ACP’s investment advisory business is conducted through ACMC and four relying advisers: Texas ACP Venture Partners I, L.L.C. (“Texas Manager”), Advantage Capital Texas Ventures GP, L.L.C., the managing member of Texas Manager (“Texas GP”), Advantage Capital Agribusiness GP, L.L.C. (“Agribusiness GP”) and Advantage Capital Agribusiness Manager, L.L.C. (“Agribusiness Manager,” and collectively with Texas Manager, Texas GP and Agribusiness GP, the “Relying Advisers”). References to ACMC throughout this Brochure refer to ACMC and its Relying Advisers, unless the context otherwise requires.

ACMC, together with its Relying Advisers, conducts a single advisory business subject to a unified compliance program. ACMC currently provides investment advisory services to two clients. The first of these is a separate account created by an agreement between the Texas Department of Agriculture (the “Department”) and Texas Manager entitled “Performance Agreement, Jobs for Texas Venture Capital Program” (the “Performance Agreement”). The separate account created by the Performance Agreement is referred to throughout this Brochure as the “Texas J4T Account.”

ACMC also provides investment advisory services to Advantage Capital Agribusiness Partners, L.P., a Delaware limited partnership formed in 2013 and closed on September \_\_, 2014 (the “Agribusiness Fund”). The Agribusiness Fund is a private equity fund that qualifies for exclusion from the definition of investment company under Section 3(c)(1) of the Investment Company Act of 1940. The Texas J4T Account and the Agribusiness Fund are collectively referred to throughout this brochure as the “Client Funds.”

### **The Texas J4T Account**

Pursuant to the Texas Small Business Venture Capital Program, also known as the “Jobs for Texas Venture Capital Program,” the State of Texas dedicated a portion of the capital it received under the federal State Small Business Credit Initiative Act (the “SSBCI Act”) to a venture capital program to be administered by the Department. In November 2011, the Department selected ACMC (through Texas Manager and Texas GP) to manage \$17 million of this capital and entered into the Performance Agreement with Texas Manager. Pursuant to the Performance Agreement, Texas Manager agreed to identify and make equity and debt investments in companies located in the State of Texas that meet certain criteria set forth by the Department, such as size of the investment, activities of the business, character of the business’ principals and use of funds invested. The Department must approve each proposed investment in order to ensure satisfaction of these criteria.

### **The Agribusiness Fund**

The Agribusiness Fund is structured to comply with the statutes and regulations of the Rural Business Investment Corporation (“RBIC”) Program, a venture capital program created and administered by the U.S. Department of Agriculture for the purpose of promoting economic development in rural areas and the creation of wealth and job opportunities for individuals living in such areas. Pursuant to the RBIC Program, Farm Credit System institutions, such as farm credit banks (“FCS Institutions”), are permitted to purchase equity interests in an RBIC such as the Agribusiness Fund.

Throughout the winter and spring of 2013-2014, ACP solicited preliminary indications of interest for limited partnership interests in the Agribusiness Fund from FCS Institutions. On July 11, 2014, the Agribusiness Fund was licensed by the Department of Agriculture as an RBIC and was closed on September \_\_, 2014, with capital commitments from nine FCS Institutions (\$150 million) and Agribusiness GP (\$4.5 million). The Agribusiness Fund will endeavor to create a diversified portfolio of investments in businesses that are agriculture related and/or located in rural America, with a view to improving rural economic prosperity, producing long-term returns for investors and bringing awareness of rural investing to a broader investor base. As an RBIC, Agribusiness Fund investments will be subject to substantial restrictions, such as size and location of investment, industry sector, and use of investment proceeds. See Item 8. “Methods of Analysis, Investment Strategies and Risk of Loss—The Agribusiness Fund.”

### **Principal Owners**

ACMC is 100% owned by the Advantage Capital Employee Stock Ownership Plan and Trust (the “ESOP”). No person or entity beneficially owns 25% or more of the ESOP. Steven T. Stull, however, has the right to vote the number of shares of ACMC common stock necessary to elect no more than 50% of the directors of ACMC. Such voting rights were granted to Mr. Stull

as a secured creditor of the ESOP and terminate upon the earlier to occur of repayment of the debt owed to Mr. Stull by the ESOP or December 24, 2024.

Texas GP is the sole owner of the Texas Manager. Texas GP is beneficially owned by principals and employees of ACMC and 5.25% by ACMC. Only Mr. Stull owns more than 25% of Texas GP.

Agribusiness GP, the general partner of the Agribusiness Fund, has delegated management responsibility for such Fund to Agribusiness Manager, which is 100% owned by ACMC. Agribusiness GP is beneficially owned by principals and employees of ACMC and by ACMC (less than 10%). Only Mr. Stull owns more than 25% of Agribusiness GP.

Mr. Stull founded the group of entities known as Advantage Capital Partners in 1992 and has served as Chief Executive Officer since that time. He directs the firm's investment policy, fundraising and strategic planning and has over 25 years of experience in all stages of the investment life-cycle, from identifying investment opportunities to structuring investment exits.

### **Investment Advisory Activity**

Investment advice to each Client Fund is provided on a discretionary basis and is tailored to the investment criteria and needs of each such Client Fund. As discussed under the headings "The Texas J4T Account," and "The Agribusiness Fund," above, each Client Fund is subject to federal or state law mandates regarding, among other things, the types and sizes of investments and the kind and character of businesses into which investments may be made.

ACP's investment advisory services are principally conducted through its offices located in California, Louisiana, Missouri, Nevada, New York and Texas. ACP has additional offices in Florida, Illinois and Mississippi and contractual relationships with outside firms responsible for locating investments in four additional states where it has no physical presence. Because of the geographic focus of the Texas J4T Account, substantially all of its operations are conducted from ACP's offices in Austin, Texas. It is anticipated that the majority of the operations of the Agribusiness Fund will be conducted from ACP's offices in St. Louis, Missouri. All of ACP's accounting, compliance and fund administration is conducted at, and its books and records are located in, its offices in New Orleans, Louisiana.

As of June 30, 2014, ACMC had approximately \$23.4 million of discretionary assets under management in the Texas J4T Account, \$2.8 million of which was uncalled. Upon closing of the Agribusiness Fund on September \_\_, 2014, \$154.5 million of capital was committed to the Agribusiness Fund, all of which was uncalled.

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

### **The Texas J4T Account**

The Texas Manager does not receive a management fee from the Texas J4T Account, but is entitled to reimbursement by the Department (up to \$340,000 annually) for expenses related to identifying, evaluating and monitoring investments and certain other direct costs of operating the Texas J4T Account. Such reimbursements are only payable out of available cash flow from investments or returns from an investment exit. The terms and conditions of these reimbursements were negotiated by the Texas Manager and the Department.

The Texas Manager receives a carried interest allocation from the Texas J4T Account (See Item 6. “Performance-Based Fees and Side-by-Side Management”).

### **The Agribusiness Fund**

During the first five years of the life of the Agribusiness Fund, it will pay an annual management fee to Agribusiness Manager (as designee of Agribusiness GP) equal to 2% of capital committed by limited partners (anticipated to be \$150 million). Thereafter, the annual fee will be calculated as 2% of the aggregate cost of the Agribusiness Fund’s investments less any investment written down by more than 90%. Such fee will be paid quarterly in advance from capital commitments of its limited partners. The Agribusiness Fund will also reimburse the Agribusiness GP for certain specified operating expenses and for up to \$500,000 of organizational costs

Agribusiness GP will receive a carried interest allocation from the Agribusiness Fund (See Item 6. “Performance-Based Fees and Side-by-Side Management”).

### **General**

On rare occasions, ACMC may earn compensation directly from portfolio companies of the Client Funds or in connection with transactions involving Client Fund portfolio companies. Any such compensation received by ACMC or the Relying Advisers will be returned to the Client Funds or used to reduce any fee owed to ACMC or the Relying Advisers by the Client Funds. Further, its employees also serve on the boards of directors or similar governing bodies of Client Fund portfolio companies. Any board fees or other compensation received as a result of such service are returned to the appropriate Client Fund. In the event one or more proprietary accounts co-invest with a Client Fund, the amount of any ACMC or employee board compensation or fee required to be returned (as described above) will be reduced proportionately.

As part of their overall compensation, ACP employees may also participate directly in the gains achieved by the Client Funds through an ownership interest in one or more Relying Advisers. Such an ownership interest may create an incentive for ACP employees to recommend

riskier or more speculative investments for the Client Funds in order to further their own economic interests.

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

### **The Texas J4T Account**

Texas Manager is entitled to a profits interest from the Texas J4T Account equal to 28% of the profits generated by the Account's investments after repayment to the Department of 100% of its capital contributions. The Performance Agreement negotiated between the Department and the Texas Manager contains the method by which such performance-based compensation is calculated. Although the interests of the Texas Manager are generally aligned with those of the Department, the Texas Manager has not made a significant capital contribution to the Texas J4T Account; accordingly, the performance-based compensation structure may create an incentive for the Texas Manager to invest in riskier or more speculative instruments.

### **The Agribusiness Fund**

Agribusiness GP will make capital contributions to the Agribusiness Fund equal to 3% of limited partners' contributions when and as called (up to an anticipated \$4.5 million) and will receive a corresponding percentage of each Agribusiness Fund distribution. With the exception of certain tax distributions described below, the remaining portion of all distributions will be made (i) 100% to the limited partners until they have received (a) 100% of their capital contributions made to date and (b) a preferred return of 6% per annum on such capital contributions from the date of contribution, compounded annually; (ii) 100% to Agribusiness GP until it has received an amount equal to (x) 20% of cumulative distributions made to the limited partners in respect of their preferred return, plus (y) 20% of amounts distributed to Agribusiness GP pursuant to clause (x); and (iii) 80% to the limited partners and 20% to Agribusiness GP. This performance-based compensation is subject to claw-backs. Notwithstanding the foregoing, on an annual basis, Agribusiness GP will also be entitled to distributions in amounts sufficient to allow it and its members to discharge federal and state tax liabilities resulting from income allocated to it by the Agribusiness Fund. Any such tax distribution to Agribusiness GP will be credited against future distributions to which it would otherwise be entitled as described above.

The interest of Agribusiness GP in distributions of the Fund may create an incentive for Agribusiness GP and Agribusiness Manager to invest in riskier or more speculative instruments, although the contribution of capital by Agribusiness GP will, to a certain extent, serve to align the interest of the Agribusiness Fund and Agribusiness GP and reduce this incentive.



## **Parallel Investments**

The Performance Agreement entered into between the Department and the Texas Manager requires that ACP, through its two proprietary accounts focused on investments in the State of Texas, invest in any portfolio company in which the Texas J4T Account makes an investment a minimum of 20% of the amount invested in any such company by the Texas J4T Account. Such investment by the ACP proprietary accounts must be in the same class of securities as the Texas J4T Account's investment and must remain in place until the Texas J4T Account has exited such investment.

The Agribusiness Fund has an Investor Advisory Committee (the "IAC") made up of representatives of its seven founding limited partners. APMC has agreed to present the IAC with all potential investments it is considering for its proprietary accounts that also meet the Agribusiness Fund's investment criteria and objectives, together with a recommendation on the amount of investment to be made by the Agribusiness Fund. This recommendation will be based on several factors, including, among others, the investment objectives, available capital and diversification needs of the Agribusiness Fund. The IAC will have the authority to approve on behalf of all limited partners any such co-investment by the Agribusiness Fund.

The IAC will also have the authority to grant (i) approvals required under the Advisers Act, including any approvals required under Section 206(3) thereof, and (ii) any consent to a transaction that would result in the "assignment" (within the meaning of the Advisers Act) of the Agribusiness GP's interest in the Partnership.

Certain employees and affiliates of ACP may have the opportunity to co-invest in the Client Funds' portfolio company investments. Any such investment is subject to the prior approval by the Chief Compliance Officer. See Item 11. "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading," below. Neither ACP nor any affiliated entity will receive any fee as a result of any such co-investing.

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

APMC, the Texas GP and the Texas Manager provide investment advisory services directly to the Texas J4T Account. Investments for the Texas J4T Account are determined by the Texas Manager subject to certain prior approvals by the Department designed to ensure all investments meet the requirements of the Performance Agreement and the SSBCI Act. Investments for the Agribusiness Fund will be determined by the Agribusiness Manager. The IAC will have the right to vote on certain major events but will not have investment approval authority.

The sole investor in the Texas J4T Account is the Department. The Texas J4T Account is closed to new investors. Initial investors in the Agribusiness Fund are nine financial

institutions, all of which are FCS institutions, and Agribusiness GP. Additional FCS institutions and select non-FCS investors may be admitted with the approval of the IAC.

The Texas J4T Account is classified as a separate account and the Agribusiness Fund is considered a private fund that qualifies for the exclusion from the definition of investment company under Section 3(c)(1) of the Investment Company Act of 1940.

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

### **The Texas J4T Account**

Investments made by the Texas Manager on the Texas J4T Account's behalf are generally subject to the due diligence, analysis and internal approvals that ACP applies in identifying investments for its proprietary accounts. Although locating investments is a firm wide endeavor, because of the Texas J4T Account's focus on investments in the State of Texas, ACP's three person team headquartered in Austin, Texas, led by Damon Rawie, a Managing Director, has taken the lead on identifying investments for the Texas J4T Account.

As investments are identified, the underwriting process is commenced, including due diligence, confirmation that the investment meets the specific criteria of the Texas J4T Account and preparation of an initial investment summary for presentation to the ACP Investment Committee. The Investment Committee consists of all ACP investment professionals and other senior members of ACP. If preliminarily approved, final due diligence is performed and a full investment review memorandum is prepared for final consideration by the Investment Committee.

While the Texas J4T Account has broad authority to provide capital in different forms to businesses located in the State of Texas or with projects in Texas, the Texas Manager has chosen to limit the Fund's investments to equity investments in private companies located in Texas. Investments range in size from \$1 million to \$5 million and are made in private companies without regard to size or location within the State of Texas. To date, the Fund has invested approximately \$14.2 million of the \$17 million allocated to it by the Department. All portfolio companies and their use of the proceeds from such investments must comply with the SSBCI Act and the terms of the Performance Agreement.

### **The Agribusiness Fund**

Investments identified by Agribusiness Manager for the Agribusiness Fund are subject to due diligence, analysis and internal approval protocols similar to those described under "The Texas J4T Account," above, except that the Agribusiness Fund's Investment Committee consists of only five members of ACP senior management, Steven T. Stull, M. Scott Murphy, Damon L. Rawie, Louis T. Dubuque and Timothy W. Hassler.

The overall investment goals of the Agribusiness Fund include improving rural economic prosperity, producing long term returns for investors and bringing awareness of rural investing to a broader investor base.

As an RBIC, the Agribusiness Fund's portfolio investments must comply with the requirements and limitations of the RBIC Program and the regulations thereunder, which among other things, require the Agribusiness Fund to maintain certain investment levels (measured by percentage of portfolio companies and funds invested) in rural business concerns, small business concerns, and urban area investments. The regulations further restrict investments in any single company to 10% of the Agribusiness Fund's capital without the prior approval of the USDA and prohibit financing (i) passive enterprises, (ii) re-lenders or re-investors, (iii) real estate enterprises, (iv) project financing, (v) farmland purchases, (vi) foreign investments, (vii) gaming establishments, (viii) for 100% financing of a change of control for a business and (ix) which may constitute a conflict of interest.

Because contributions by FCS Institutions constitute more than 25% of committed capital, investments will also be limited to businesses that are eligible for financing by the Farm Credit System.

Within these limitations, the Agribusiness Fund will endeavor to build a diversified portfolio of junior capital investments in qualifying agriculture related businesses and other qualifying businesses located in rural areas of the United States. Junior capital investments include loans, debt securities (defined as a loan with the right to acquire equity or which by its terms converts to equity) and equity securities. The Agribusiness Fund's investments are expected to focus on companies with established business models with positive cash flow or the potential for positive cash flow within 12 months of investment, although Agribusiness Manager has discretion to invest in earlier stage companies if consistent with the Agribusiness Fund's investment objectives.

The Agribusiness Fund's portfolio investments are anticipated to be allocated as follows: debt securities 50%; equity securities-majority control 25%; and equity securities-minority control 25%.

Any investment proceeds received by the Agribusiness Fund during the first five years following the initial closing (the "Reinvestment Period") may be reinvested in additional portfolio investments. Such proceeds may be distributed to partners until reinvestment, in which case such funds will be added to unfunded capital commitments and remain subject to draw down again by the Agribusiness Fund during the Reinvestment Period.

### **Risk of Loss**

An investment in the Client Funds involves a significant degree of risk relating both to the types of investments contemplated by the Client Funds and each Client Fund's ability to

achieve its investment objectives. There can be no assurance that the Client Funds' investment objectives will be achieved or that an investor will receive any return of capital. An investment in a Client Fund requires a long-term commitment with no certainty of return, and an investor should have the ability to sustain the loss of its entire investment. Since the Client Funds may only make a limited number of investments, and since the Client Funds' investments generally will involve some degree of risk, poor performance by only a few of the investments could adversely affect the total returns to an investor. There can be no assurance that the Client Funds will be able to generate returns or that returns will be commensurate with the risks of the investments within the Client Funds' investment objectives. For more information regarding the risks associated with investing in the Client Funds, investors in the Agribusiness Fund are urged to refer to its Private Placement Memorandum and the RBIC Act, and the investor in the Texas J4T Account is urged to refer to the Performance Agreement and the SSBCI Act.

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

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary event that would be material to an evaluation of ACP or the integrity of its management. None of ACP, ACP, ACP, the Relying Advisers or their collective supervised persons has been subject to any legal or disciplinary events required to be discussed in this Brochure.

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

ACP, through its affiliates, engages in other business activities in addition to managing the Client Funds. Such activities include managing proprietary accounts and ventures.

Through its proprietary accounts, ACP participates in the NMTC Programs, which are designed to bring investment capital to low-income communities across the nation. The federal New Markets Tax Credit Program is administered and regulated by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury, while state New Market Tax Credit Programs are administered and regulated by various state governmental agencies. As an allocatee of credits under the NMTC Programs, ACP enters into agreements with banks and insurance companies to place these credits into commerce.

Through its proprietary accounts, ACP also manages funds raised pursuant to State Programs that are designed to use state tax credits to generate investments in targeted businesses in such state. Each such program has strict statutory restrictions regarding the types of businesses in which ACP may invest.

ACP also provides assistance to third parties in structuring financings under the NMTC Programs, both to businesses in need of capital and NMTC Program participants seeking investments in or loans to qualifying businesses.

Mr. Stull also owns a controlling interest in a commercial banking operation, First Bank of the Lake, a Missouri state-chartered bank.

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

In accordance with Rule 204(A)-1 under the Advisers Act, ACMC has adopted a Code of Ethics (the “Code”) that sets forth ethical standards of business conduct required of its employees, directors and others providing investment advice that are under ACMC’s control (“Access Persons”). Adherence to the Code and the related restrictions on personal investing is considered a basic condition of employment at ACMC.

The Code reflects ACMC’s view that its long-term business interests are best served by adherence to the principle that investors’ interests come first. The Code explicitly recognizes that ACMC has a fiduciary duty to its clients, which requires that Access Persons act solely for the benefit of its clients and their investors. The Code also reminds Access Persons of their responsibilities under federal and state securities laws and of the sanctions that can be imposed on them by ACMC, the SEC and law enforcement officials for their failure to strictly adhere to the provisions of such laws.

Specifically, the Code contains provisions designed to (i) identify conflicts of interest, (ii) provide a means to resolve any actual or potential conflict in favor of investors, (iii) prevent improper personal trading by Access Persons, and (iv) prevent improper use of material, non-public information. In the case of doubt as to the propriety of any action, Access Persons are directed to consult the Chief Compliance Officer. The Code will be reviewed and revised periodically, but in no event less frequently than annually.

As discussed in Item 10. “Other Financial Industry Activities and Affiliations,” above, ACMC participates in proprietary accounts and other ventures in addition to managing the Client Funds. Although each such proprietary account is subject to strict geographic and other restrictions on eligible investments, because of the number of these accounts, investment criteria are likely to overlap and conflicts of interests may be unavoidable. Accordingly, the Code emphasizes awareness of the potential for conflicts and the importance of disclosing the possibility of such conflicts to the relevant Client Funds. The Code advises Access Persons that ACMC will disclose to the Client Funds and their investors that it works with multiple accounts and that conflicts may arise.

The Code also prohibits ACMC and its Access Persons from stating or implying that ACMC has the ability to use or access non-public information of one Client Fund, account or venture or its investments for the benefit of another, and from divulging confidential information concerning Client Funds, proprietary accounts and ventures or their investments.

Both the Texas J4T Account and the Agribusiness Fund are subject to strict requirements regarding the allocation of investments among each such account and fund and other proprietary accounts of ACMC, as described above at Item 6. “Performance-Based Fees and Side-by-Side Management—Parallel Investments,” above.

In addition any co-investment by an Access Person of ACP in a Client Fund portfolio company investment must be approved in advance by the Chief Compliance Officer after full disclosure of any potential conflict of interest.

Additionally, ACMC has adopted inside information policies and procedures to provide for the proper handling of confidential information in order to prevent violations of laws and regulations prohibiting the misuse of material non-public information and to avoid situations that might create an appearance of such misuse.

Under the Code, Access Persons are prohibited from trading in securities of any company while in possession of material, non-public information regarding such company. In furtherance of this policy, the Chief Compliance Officer maintains a list of restricted securities which may be traded only with the authorization of the Chief Compliance Officer. Access Persons must also pre-clear through the Chief Compliance Officer purchases and sales of securities offered in initial public offerings and limited offerings.

Access Persons are also required to file certain reports regarding brokerage or securities accounts in the individual’s name or over which such person has any direct or indirect beneficial ownership, including accounts over which investment discretion is exercised either directly or indirectly. These reports include an initial report of securities holdings, annual reports of such holdings and quarterly reports of transactions in such accounts.

The Code and other policies and procedures of ACMC restrict employees’ ability to conduct activities outside of ACMC that may conflict with the interests of the Client Funds, require preapproval for gifts and entertainment in excess of certain values that may be received and/or provided by Access Persons and provide for the imposition of sanctions for Code violations.

A copy of the Code is available to our clients upon written request to the Chief Compliance Officer.

## **Item 12      Brokerage Practices**

ACMC does not receive research or other soft dollar benefits, client referrals, directed brokerage or any other form of compensation or remuneration from any broker-dealer.

Generally, assets of the Client Funds will be invested in private companies, which are typically purchased directly from the issuer without the payment of a commission or placement

fee and are likewise not executed on an exchange or through the use of a broker. Accordingly, best execution principles generally do not apply to such transactions. On occasion, however, such as in the event a portfolio company becomes publicly traded, an investment in or disposition of securities held by a Client Fund will require that ACMC select a broker-dealer to execute a transaction. In such event, ACMC will, as a matter of policy and practice, seek to obtain the best execution for client transactions taking into account not only the commission expense but also the best overall qualitative execution in the circumstances.

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

ACMC investment team members are expected to remain in frequent contact with management of the Client Funds' portfolio companies--often taking board seats, thereby providing ACMC with greater visibility and opportunity to advise the Client Funds' portfolio companies. Specific team members located in the State of Texas are assigned to each of the Texas J4T Account's portfolio investments. Damon Rawie, a Managing Director, serves as the principal point of contact for, and currently serves on the board of directors of, each of the Texas J4T Account's portfolio investments. The Agribusiness Fund's portfolio investments will be assigned to team members for post-closing supervision as and when such investments are closed.

On a quarterly basis, a written report for each investment is prepared for use by each Client Fund's Relying Advisers. This report describes the portfolio company's financial performance, liquidity outlook, job growth etc., and updates the investment's valuation.

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

None of ACP, ACMC or the Relying Advisers has arrangements whereby any third party provides an economic benefit for providing investment advice or other advisory services to the Client Funds.

None of ACP, ACMC or the Relying Advisers compensates any third party for client referrals.

### **Item 15      Custody**

Under Rule 206(4)-2 under the Advisers Act, ACMC may be deemed to have custody of cash and securities of the Client Funds because of (i) its ability to withdraw cash and securities from the Client Funds and (ii) its role as general partner, managing partner (or comparable position) of the Client Funds. All assets of the Client Funds are maintained with a qualified custodian, as defined in Rule 206(4)-2 under the Advisers Act (the "Qualified Custodian").

ACMC has retained for each Client Fund an independent public accounting firm that is both registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules. This firm will conduct audits of each Client Fund at least annually, and ACMC will distribute independently audited financial statements for each Client Fund to its investors no later than 120 days after the end of the Client Fund's fiscal year.

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

ACMC or a Relying Adviser is generally deemed to have discretionary authority over each Client Fund's purchase and sale of securities or other investments and the amount of such investments purchased or sold, subject to restrictions set forth in state and federal laws and the transaction agreements negotiated with the investors at the commencement of each Client Fund.

No investment can be made by the Texas J4T Account without the Department's prior approval that the investment is being made in compliance with the terms of the Performance Agreement and the SSBCI Act.

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

Generally, investments made on behalf of the Client Funds are in private companies rather than in publicly-traded companies. If a private security becomes publicly registered, however, ACMC may be authorized to vote proxies covering such shares. Accordingly, ACMC has adopted a policy addressing this contingency entitled: "Proxy Voting Policies and Procedures," which provides that ACMC will vote in the best interest of the Client Fund. In voting such securities, consideration is given to both the short- and long-term implications of the proposal voted upon.

Prior to voting any proxy, the Chief Compliance Officer, in consultation with supervised persons with the closest relationship with the portfolio company if he deems necessary or appropriate, will determine if a conflict of interest exists. This determination will include an evaluation of whether ACMC or any affiliate has a relationship with the portfolio company outside of an investment in the company. If a conflict is identified, the Chief Compliance Officer and any such persons will make a determination (which may be with the assistance of outside counsel) as to whether the conflict is material.

If no conflict exists or if the conflict is determined not material, ACMC will vote or abstain from voting the proxy as determined by the Chief Compliance Officer. In the event a material conflict exists, ACMC will generally seek to mitigate the conflict by either appointing an independent third party to vote the proxy or by disclosing the conflict to affected investors and giving them the opportunity to vote the proxies in question.



Investors in the Client Funds may obtain a copy of ACMC's Proxy Voting Policies and Procedures and information on how ACMC voted proxies on behalf of such Client Fund on written request to the Chief Compliance Officer.

## **Item 18      Financial Information**

As a registered investment adviser, ACMC is required to provide certain financial information or disclosures about its financial condition under certain circumstances. ACMC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors and has not been the subject of a bankruptcy proceeding.