

# CMEA CAPITAL MANAGEMENT, LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of CMEA CAPITAL MANAGEMENT, LLC. If you have any questions about the contents of this brochure, please contact us at (415) 352-1520 or by email at: [victoria@cmea.com](mailto:victoria@cmea.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.*

*Additional information about CMEA CAPITAL MANAGEMENT, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). CMEA CAPITAL MANAGEMENT, LLC's CRD number is: 172667.*



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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

CMEA CAPITAL MANAGEMENT, LLC has not yet filed an annual updating amendment using the Form ADV Part 2A. Therefore there are no material changes to report.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

CMEA CAPITAL MANAGEMENT, LLC (hereinafter “CMEA Capital”) is a Limited Liability Company organized in the State of Delaware.

The firm was formed in August 2014, and the principal owners are James F. Watson, David J. Collier, Faysal Sohail and Peter Gajdos.

### **B. Types of Advisory Services**

CMEA Capital offers the following services to advisory clients:

#### **Portfolio Management Services**

CMEA Capital focuses on multi-stage, venture capital investments principally in high technology, life science, and energy & materials companies through private funds. Portfolio management services to the funds include, but are not limited to, the following:

- Investment strategy
- Asset selection
- Regular portfolio monitoring
- Asset allocation
- Risk tolerance

CMEA Capital evaluates the current investments of each fund with respect to their risk levels and time horizon. CMEA Capital manages only funds, and manages all of them with discretionary authority to select securities and execute transactions without permission prior to each transaction, although it may create internal committees to review the investments prior to execution, as described in each fund's offering document.

CMEA Capital seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its funds. Allocation of investment opportunities will be made in good faith. There can be no assurance that the allocation of investment opportunities will not give rise to conflicts of interest between the investors of the respective funds. To meet its fiduciary obligations, CMEA Capital attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain funds, and, accordingly, CMEA Capital's policy is to seek fair and equitable allocation of investment opportunities/transactions among the funds in active investment mode at any given time to avoid favoring one over another over time. It is CMEA Capital's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent that might have a limited supply, among its active funds on a fair and equitable basis over time.

### ***Services Limited to Specific Types of Investments***

CMEA Capital limits its investment advice to venture capital investments, both in the U.S. and in other countries, although some of these investments have now become publicly traded securities.

### **C. Client Tailored Services and Client Imposed Restrictions**

CMEA Capital manages only funds focusing on venture capital investments and offers the same suite of services to all of its clients and investors.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. CMEA Capital does not participate in any wrap fee programs.

### **E. Assets Under Management**

CMEA Capital has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$0	\$0	8/8/2014

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### ***Fund Fees***

CMEA Capital expects directly or indirectly to become general partner (in such capacity, the “General Partner”) and/or investment adviser to at least one private investment funds, following a transaction with its affiliate, CMEA DEVELOPMENT COMPANY LLC. Such funds seek to achieve their investment objectives through direct private capital investments executed by CMEA Capital investment teams. Management fees for private investment funds advised by CMEA Capital generally are based upon a percentage of a fund’s aggregate committed capital or the aggregate invested capital. CMEA Capital generally also receives a “carried” interest through each fund’s general partner entitling it to a certain percentage of the realized profits subject to a preferred return or hurdle rate to limited partners. This carried interest is based on realized gains and received income only and is payable as portfolio holdings are liquidated, subject, in some cases, to a reserve or “clawback” arrangement to the account for losses incurred on

holdings subsequently sold. Prior to the liquidation of the Fund, the General Partner may, in its discretion, make distributions in cash and distributions in kind of portfolio securities, depending on the terms of the individual fund offering document.

A Clawback provision is a provision that allows for a review of the total profit distributed by a fund at the end of a defined period. The “Clawback” is a mechanism to recapture overpayments to the General Partner or the investors if either party received more than their stated carried interest. The timing and amount of performance fees or allocations are described in the relevant PPM or other governing documents.

## **B. Payment of Fees**

### ***Payment of Portfolio Management Fees***

Portfolio management fees that are calculated based on assets under management are withdrawn directly from the funds, and such fees may be paid in advance or arrears, depending on the specific fund arrangement, as disclosed in the individual fund's offering documents.

### ***Payment of Performance-based Fees***

Performance-based fees are withdrawn directly from the client's accounts in arrears as investments are liquidated.

## **C. Client Responsibility For Third Party Fees**

Funds are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by CMEA Capital. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

CMEA Capital collects performance fees in arrears and may collect asset based fees in advance or arrears, depending on the terms of an individual fund, as indicated in its offering documents. In the highly unlikely event that an agreement is terminated prematurely by CMEA Capital, refunds for fees paid in advance will be returned within fourteen days to the fund for distribution to the investors. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee by 365.)

## **E. Outside Compensation For the Sale of Securities to Clients**



Neither CMEA Capital nor its supervised persons accept any compensation for the sale of securities or other investment products.

## **Item 6: Performance-Based Fees**

CMEA Capital expects to manage private funds that are billed on performance-based fees (a share of capital gains on or capital appreciation of a fund's assets) and does not currently manage any accounts that are NOT billed at least in part on performance-based fees. Investors in the funds, which pay a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee, due to the higher risk/higher reward attributes. Furthermore, the capital contributions of the General Partner will represent only a small portion of the fund's capital. A fund's investors will invest greater amounts and will receive a proportionally smaller amount of the profits of the fund than the General Partner. The General Partner's profits interest in the fund may create an incentive for the General Partner to make riskier investments than it would make if it were investing its own funds. CMEA Capital seeks best execution and upholds its fiduciary duty for all fund clients.

## **Item 7: Types of Clients**

CMEA Capital provides advisory services only to pooled investment vehicles that focus on venture capital investments, although in its initial fund, it will inherent certain publicly traded securities.

### ***Minimum Account Size***

There is no account minimum.

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

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

#### ***Methods of Analysis***

CMEA Capital's methods of analysis include fundamental analysis and quantitative analysis.

*Fundamental analysis* involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

*Quantitative analysis* deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

## *Investment Strategies*

CMEA Capital primarily utilizes long term investing in venture capital investments in high tech, life science and energy & materials companies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **B. Material Risks Involved**

#### *Methods of Analysis*

*Fundamental analysis* concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

*Quantitative Model Risk.* Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

#### *Investment Strategies*

Clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose investors in a funds to various types of risk that will typically surface at various intervals during the time the fund owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Fund investors should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

**Venture capital** refers to investment in start-up companies at an early stage of development in the interest of generating a return through an eventual realization event; the risk is high as a result of the uncertainty involved at that stage of development, limited diversification, forfeiture of a substantial portion of an investor's interest

upon failure to make a required capital contribution, lack of liquidity and the long-term nature of the commitment.

**Private placements** carry a substantial risk as they are subject to less regulation than publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

**Equity** investment generally refers to shares of stocks (in which the funds may hold shares purchased in an early venture capital stage) held in anticipation of a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Non-U.S. securities** present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as an investor, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither CMEA Capital nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither CMEA Capital nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

The funds will generally seek to obtain the right to designate directors to serve on the boards of directors of portfolio companies. In addition, affiliates of the General Partner may serve, from time to time, as officers or directors of portfolio companies. The foregoing rights and activities, especially in light of statutes and regulations relating to corporate governance and increased scrutiny of corporate boards, could expose the General Partner, its affiliates, and assets of a fund to regulatory action and/or claims by a portfolio company, its security holders and its creditors. In addition, a fund may be prohibited from selling publicly traded securities of a portfolio company if the General Partner is in possession of material non-public information relative to such company. While CMEA Capital intends to manage each fund in a way that will minimize exposure to these risks, the possibility of successful claims or adverse regulatory action cannot be eliminated, and such events may have a significant adverse effect on a fund.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

CMEA Capital does not utilize nor select third-party investment advisers. All assets are managed by CMEA Capital management.

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

### **A. Code of Ethics**

CMEA Capital has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. CMEA Capital's Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

Conflict of interest situations that arise in connection with the management of the assets of Clients will be handled on a case-by-case basis. CMEA Capital and its associated persons may have material financial interests in issuers of securities that CMEA Capital may purchase for the funds. Client approval will be sought in connection with approvals required under the Advisers Act, including Section 206(3) thereunder, or otherwise and, if granted, such approval will be binding. If a principal transaction or agency cross transaction arises, CMEA Capital will execute such transaction as permitted by the Advisers Act, including Section 206(3) thereof, and as indicated in each fund's offering document. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of a related person, buys from or sells any security to any advisory client, and transactions between funds may be classified as principal trades.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of CMEA Capital may buy or sell securities for themselves that they also purchase for funds. This may provide an opportunity for representatives of CMEA Capital to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. CMEA Capital will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of CMEA Capital may buy or sell securities for themselves at or around the same time as a fund. This may provide an opportunity for representatives of CMEA Capital to buy or sell securities before or after executing a transaction on behalf of a fund resulting in representatives profiting off the transactions they engage in for a fund. Such transactions may create a conflict of interest; however, CMEA Capital will never engage in trading that operates to any fund's disadvantage when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be selected based on CMEA Capital's duty to seek "best execution," which is the obligation to seek to execute securities transactions for a client on terms that are the most favorable to the client under the circumstances. The funds will not necessarily pay the lowest commission or commission equivalent, and CMEA Capital may also consider the market expertise and research access provided by the broker, including but not limited to access to written research, oral communication with

analysts, admittance to research conferences and other resources provided by the brokers to aid in the research efforts of CMEA Capital. CMEA Capital will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian. CMEA Capital utilizes Merrill Lynch as custodian.

### ***1. Research and Other Soft-Dollar Benefits***

While CMEA Capital has no formal soft dollar program in which soft dollars are used to pay for third party services, CMEA Capital may receive research, products, or other services from its broker/dealer in connection with the funds' securities transactions ("soft dollar benefits") consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended, and may consider these benefits in recommending brokers. There can be no assurance that any particular fund will benefit from any particular soft dollar research or other benefits. CMEA Capital benefits by not having to produce or pay for the research, products or services, and CMEA Capital will have an incentive to recommend a broker dealer based on receiving research or services. The funds' investors should be aware that CMEA Capital's acceptance of soft dollar benefits may result in higher commissions charged to the funds.

### ***2. Brokerage for Client Referrals***

CMEA Capital receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

This question is not applicable to CMEA Capital.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

If CMEA Capital buys or sells the same securities on behalf of more than one fund, it might, but would be under no obligation to, aggregate or bunch, to the extent permitted by applicable law and regulations, the securities to be purchased or sold for multiple funds in order to seek more favorable prices, lower brokerage commissions or more efficient execution. In such case, CMEA Capital would place an aggregate order with the broker on behalf of all such funds in order to ensure fairness for all funds; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. CMEA Capital would determine the appropriate number of shares to place with brokers and will select the appropriate brokers consistent with CMEA Capital's duty to seek best execution.

## **Item 13: Reviews of Accounts**

#### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client portfolio management accounts are reviewed at least weekly by one or members by CMEA Capital's portfolio management team and any sub-committees that CMEA Capital may create, and more frequently when necessary.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Portfolio management reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Content and Frequency of Regular Reports Provided to Clients**

Each investor will receive at least quarterly a written report that details the funds' account performance.

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

#### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

CMEA Capital does not receive any economic benefit, directly or indirectly from any third party for advice rendered to CMEA Capital clients.

#### **B. Compensation to Non – Advisory Personnel for Client Referrals**

CMEA Capital does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### **Item 15: Custody**

When it deducts fees directly from fund accounts at a selected custodian, CMEA Capital will be deemed to have limited custody of the fund assets. CMEA Capital may also be deemed to have custody over pooled investment vehicles it manages. CMEA Capital is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which it has (or may be deemed to have) custody with a "qualified custodian." Qualified custodians include banks, brokers, futures commission merchants and certain foreign financial institutions. Rule 206(4)-2 imposes on advisers having custody of clients' funds or securities certain requirements concerning reports to such clients (including



underlying investors) and surprise examinations relating to such clients' funds or securities. However, an adviser need not comply with such requirements with respect to pooled investment vehicles subject to audit and delivery if each pooled investment vehicle: (i) is audited at least annually by an independent public accountant; and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to their investors, all limited partners, members or other beneficial owners within 120 days (180 days in the applicable case of a fund of funds adviser) of its fiscal year-end, and investors should carefully review those statements.

## **Item 16: Investment Discretion**

CMEA Capital provides discretionary investment advisory services to funds. The Investment Advisory Contract established with each fund outlines the discretionary authority for investment and trading, subject to its internal processes, which are outlined in each fund PPM.

## **Item 17: Voting Client Securities (Proxy Voting)**

CMEA Capital acknowledges its fiduciary obligation to vote proxies on behalf of the funds. CMEA Capital will vote proxies on behalf of a client solely in the best interest of the relevant client. CMEA Capital has established general guidelines for voting proxies. CMEA Capital may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that a client's interests are better served by abstaining. Further, because proxy proposals and individual company facts and circumstances may vary, CMEA Capital may vote in a manner that is contrary to the general guidelines if it believes that it would be in a client's best interest to do so. If a proxy proposal presents a material conflict of interest between CMEA Capital and a client, CMEA Capital will determine how to vote that proxy and whether the conflict of interest will be disclosed to the client.

Clients may obtain a complete copy of the proxy voting policies and procedures by contacting CMEA Capital in writing and requesting such information. Each client may also request, by contacting CMEA Capital in writing, information concerning the manner in which proxy votes have been cast with respect to portfolio securities held by the relevant client during the prior annual period. Clients can send written requests to the Chief Compliance Officer at [Lee@CMEA.com](mailto:Lee@CMEA.com)

## **Item 18: Financial Information**

### **A. Balance Sheet**

CMEA Capital neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.



## **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither CMEA Capital nor its management has any financial condition that is likely to reasonably impair CMEA Capital's ability to meet contractual commitments to clients.

## **C. Bankruptcy Petitions in Previous Ten Years**

CMEA Capital has not been the subject of a bankruptcy petition in the last ten years.

# **Item 19: Requirements For State Registered Advisers**

## **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

The education and business background of CMEA Capital's current management persons/executive officers can be found on CMEA Capital's Form ADV Part 2B brochure supplement.

## **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Other business activities for each relevant individual can be found on the individual's Form ADV Part 2B brochure supplement.

## **C. How Performance-based Fees are Calculated and Degree of Risk to Clients**

CMEA Capital accepts performance-based fees, fees based on a share of capital gains on or capital appreciation of the assets of a fund.

CMEA Capital expects directly or indirectly to be the general partner and investment adviser to at least one private investment funds. Such funds seek to achieve their investment objectives through direct private capital investments executed by CMEA Capital investment teams. Management fees for private investment funds advised by CMEA Capital generally are based upon a percentage of a fund's aggregate committed capital or the aggregate invested capital. CMEA Capital generally also receives a "carried" interest through each fund's General Partner entitling it to a certain percentage of the realized profits. This carried interest is based on realized gains and received income only and is payable as portfolio holdings are liquidated, subject, in some cases, to a reserve or "clawback" arrangement to the account for losses incurred on holdings subsequently sold. Prior to the liquidation of the Fund, the General Partner may, in its discretion, make distributions in cash and distributions in kind of portfolio securities.

A Clawback provision is a provision that allows for a review of the total profit distributed by the fund at the end of a defined period. The “Clawback” is a mechanism to recapture overpayments to the General Partner or the investors if either party received more than their stated carried interest. The timing and amount of performance fees or allocations are described in the relevant PPM or other governing documents.

Investors in the CMEA Capital funds, which pay a performance-based fee, should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

<b>D. Material Disciplinary Disclosures for Management Persons of this Firm</b>
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No management person at CMEA Capital or CMEA Capital has been found liable in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client’s evaluation of the firm or its management.

<b>E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)</b>
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See Item 10.C and 11.B.